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Mexico Invokes Clause in Bilateral Accord Allowing Quotas on Chilean Fishmeal

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In mid-November, the Mexican government invoked a clause in its bilateral free-trade agreement with Chile that allows Mexico to impose quotas on imports of Chilean fishmeal to protect domestic producers. Despite the legality of the measure under the bilateral trade treaty, however, the action drew immediate protests from the Chilean government and private sector, which accused Mexico of adopting a "protectionist" policy.

Alejandro Jara, director of bilateral economic affairs for the Chilean Foreign Ministry, told reporters that in recent consultations the two countries had agreed that some Chilean exporters were indeed selling their product in Mexico at below-market levels. At the same time, the two sides also determined that the Mexican fisheries industry would not be able to compete against the imports even if the Chilean product had not been sold at less than-fair-market value. The imposition of temporary quotas, therefore, was seen as a move to buy some time for Mexican fishmeal producers to allow them to remain competitive. According to Jara, Mexican fishmeal producers requested that the restrictions remain in place for two years, although this is not final.

In addition, an actual quota level has not been set. Despite the reasons cited by the Mexican government and the technical legal basis for the measure provided by the bilateral trade agreement, Chile nevertheless filed an official protest with the Mexican government.

"Our country insists that Chilean fishmeal is not directly responsible for the problems in that Mexican sector, and therefore we argue that imports should not be restricted through quotas," Jara told reporters on Nov. 24. In fact, the decision to impose quotas is the latest chapter in the dispute between the two countries over fishmeal trade.

In February, Mexico imposed countervailing duties on imports of Chilean fishmeal on the premise that Chilean exporters were being subsidized by the Chilean government and were thus selling their product in Mexico at less-than-fair market value (SourceMex, March 2, 1994, and March 16, 1994). The countervailing duties were lifted in late October, but were replaced with the quotas in late November.

For their part, Chilean fishmeal producers complained that the measure will help Peruvian exporters, who continue to export their product into Mexico without facing the same quantity restrictions. On the other hand, Mexico charges a 10% duty on imports of Peruvian fishmeal, compared with a 1.5% rate applicable to Chilean fishmeal. In a statement on Nov. 24, the international committee of Chile's National Chamber of Commerce (Camara Nacional de Comercio) also criticized the Chilean government for having negotiated an agreement that does not prevent Mexico from taking such "protectionist" actions. Like the Chilean fishmeal producers, the Chamber
also warned that the quotas, while helping the Mexican fishing industry, would also cause Chilean fishmeal exporters to lose ground in the Mexican market to other suppliers from Peru and elsewhere.

Meanwhile, the Mexican government's action against Chile was just one of several trade decisions taken during late November. On Nov. 23, the Trade Secretariat (Secretaria de Comercio y Fomento Industrial, SECOFI) accepted a request from the Mexican Pork Industry Council (Consejo Mexicano de Porcicultura) to investigate whether pork imports from Denmark are being sold in Mexico at less-than-fair market value. In accepting the request, SECOFI decided not to impose preliminary countervailing duties against Danish pork, which is already charged import tariffs of 20%. During the month, SECOFI also announced anti-dumping duties as high as 351% against imports of most toys from China. According to the ruling, Chinese manufacturers were selling their toys in Mexico at less-than-market value, which was hurting the Mexican toy industry. The ruling, however, exempted toys manufactured with advanced technology, which are not yet produced in Mexico.

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