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The devaluation of the peso has continued to boost Mexico's trade surplus through the middle of this year, mostly at the expense of the US. According to a report filed in mid- August by the Finance Secretariat (SHCP), Mexico attained a trade surplus of US$3.69 billion in January-July of this year, a sharp contrast with the US$10.39 billion deficit reported in the same seven month period in 1994. The SHCP report said the surplus was based on an increase of 32% in exports, which totaled US $44.39 billion. About 81.4% of the exports represented manufactured products. The SHCP noted more than half of the exports from the manufacturing sector, about US$19.26 billion, came from plants not involved in maquiladora activities. This was an increase of 46.5% from a year ago. Exports from maquiladora plants totaled about US$16.87 billion, an increase of 17.8% from January-July of a year ago.

In contrast to exports, imports totaled only US$40.7 billion in the first seven months of this year, a decline of 7.5% from a year ago. According to the SHCP, an average increase of 85% in the cost of imported products which was the direct result of the peso devaluation is primarily responsible for the decline in imports. By category, imports of intermediate products amounted to US$32.6 billion, a decline of 3.5% from a year ago. The largest decline by far was in imports of consumer products, which were down by 41.5%. Imports of capital goods also fell sharply, by 31.2%. Within this category, imports of machinery and equipment dropped by 45.9%.

Meantime, Mexico's growing trade surplus continues to have strong implications for bilateral trade relations between the US and Mexico. The SHCP report did not contain specific statistics for US-Mexico bilateral trade in January-July. However, statistics issued by the US Commerce Department in early August indicated that Mexico incurred a record trade surplus of US$8.578 billion with the US during January-June. Indeed, the widening of the US trade deficit with Mexico during January-June contributed heavily to the expansion of the US global trade deficit, which reached US$63.8 billion in the first six months of the year. According to the Commerce Department's report, Mexico exported about US$30.138 billion to the US in the first six months of the year. During the same period, Mexico imported about US$21.56 billion of US products. The report attributed the surge in the deficit directly to the devaluation of the peso, which increased US imports from Mexico and at the same time reduced US exports to that country.

The sharp increase in the US trade deficit with Mexico has fueled strong criticism from a number of US political leaders, who blamed the widening of the deficit on the enactment of the North American Free Trade Agreement (NAFTA) on Jan. 1, 1994. One especially vocal NAFTA opponent, political commentator Pat Buchanan, who is seeking the Republican Party's presidential nomination in 1996, claims the deficit has resulted in the loss of as many as 300,000 jobs in the US. Buchanan made the comments during a conference in Dallas sponsored by United We Stand, an organization founded by another staunch NAFTA opponent Ross Perot. He said the increase in the deficit is

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"irrefutable proof of the failure of NAFTA." In fact, Buchanan said that, prior to the enactment of NAFTA, he had already repeatedly warned US President Bill Clinton's administration that Mexico would devalue its currency in order to "cancel out any advantage" that the US might gain as a result of NAFTA. Buchanan also took the opportunity to criticize Clinton's decision to use a special currency stabilization fund to provide US$20 billion for a rescue package for the Mexican economy.

Another staunch NAFTA opponent, Rep. Marcy Kaptur (D- Ohio), also spoke out against NAFTA at the United We Stand conference, suggesting that the growing trade deficit with Mexico "erases" all the positive aspects of the trade agreement. In fact, Kaptur, who opposed NAFTA from its inception, questioned whether the agreement had actually provided any benefits to the US in the first place. In response to the charges from Buchanan and Kaptur, the Clinton administration described the sharp increase in the trade deficit with Mexico as a "temporary setback."

Officials from the Commerce Department said Mexico would resume imports of US products once the Mexican economy is fully recovered. The increase in the US trade deficit with Mexico is only one aspect of the trade relationship between the two countries since the start of this year. A report released by Mexico's Trade Secretariat (Secofi) in early August mentioned that the US and Mexico have imposed on each other more countervailing duties in the first half of 1995 than during the same period in 1994, the year NAFTA was enacted. The Secofi report, which contained few specifics, highlighted the Mexican government's decision to impose a duty of US$0.05 cents per kilogram on imports of acrylic fiber from the US.

Meantime, in late July, the US International Trade Commission (ITC) applied duties of 23.79% against steel tubes from Mexico and six other countries. The directive specifically affects Tubos de Acero de Mexico (TAMSA). The ruling formalizes a preliminary decision in July, in which the ITC agreed with the Commerce Department that imports from TAMSA and other companies were being sold in the US at less- than-fair-market value, and thus injuring US producers. Secofi officials have already announced plans to appeal the ruling to a NAFTA disputes panel, an option not available to companies from the six other countries affected by the ruling.

Other trade disputes between the US and Mexico have not yet forced direct action by either government. For example, in late July, the US-based shipper United Parcel Service (UPS) eliminated its cross-border delivery service in Mexico in response to "burdensome customs procedures and protectionist regulatory practices." According to a UPS spokeswoman, the restrictions made the company's ground service to Mexico "inefficient and costly" to operate (see SourceMex, 07/19/95). In April of this year, US Trade Representative Mickey Kantor filed a complaint about Mexico's trucking laws before a NAFTA dispute panel. The complaint was filed on behalf of UPS, Federal Express, and other couriers (see SourceMex, 05/10/95). The panel has yet to issue a decision.

Some Mexican trade organizations have also brought up the issue of NAFTA in their complaints to the Mexican government about US trade practices. For example, in a comprehensive report to the Zedillo administration, the manufacturing industry chamber (Camara Nacional de la Industria de Transformacion, Canacintra) charged that US manufacturers are using a customs loophole to boost exports of motor oil, antifreeze, brake fluid, and other chemical products into Mexico. Canacintra charged that many of these products are entering Mexico under other chemical categories that carry a smaller import duty, and are thus unfairly entering into competition with similar items produced

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in Mexico. According to Canacintra, because of the easing of NAFTA restrictions, the products easily enter into Mexico without close customs inspection. Canacintra officials warned the Zedillo administration that unless the regulations are tightened, many Mexican chemical manufacturers would go out of business.

Tequila manufacturers have also complained about US practices. Alfredo Riveron, chairman of the tequila industry regional chamber (Camara Regional de la Industria Tequilera), said the organization has filed a complaint with US officials against US liquor manufacturers, who are producing "phony" margaritas. According to the group, US liquor manufacturers such as Seagram & Co. and E&J Gallo Winery, are substituting malt- or wine-based alcohol derivatives for tequila in bottled margarita products sold in the US. The organization said the use of products other than tequila to produce margaritas may represent a violation of NAFTA. "This is an important issue for us and is an unfair trade practice," Riveron told the Associated Press in a telephone interview after meeting with US officials. "This is a big part of our economy." The US imports about 5 million cases of Mexican tequila per year, or roughly 80% of Mexico's annual tequila exports. According to Riveron, the industry's annual revenues from tequila exports to the US amount to about US$500 million. (Sources: Associated Press, 08/09/95; Notimex, 07/30/95, 08/17/95; La Jornada, 07/30/95, 07/31/95, 08/07/95, 08/18/95; Excelsior, 07/31/95, 08/18/95; Reforma, New York Times, 08/18/95)

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