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NAFTA Panel Overturns Mexican Duties on U.S. Steel

by LADB Staff

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In late August, a special panel created under the North American Free Trade Agreement (NAFTA) ruled that the Mexican Trade Secretariat (Secofi) improperly imposed countervailing duties against imports of US steel plate in August 1994. The NAFTA panel said the duties, which ranged between 46% and 71%, represented a violation of NAFTA regulations. The special NAFTA panel was requested by US companies Bethlehem Steel Corporation, USX Corporation, and US Steel Group. Surprisingly, the decision by the NAFTA panel attracted very few protests from the Mexican government and the steel industry.

In a radio interview on Sept. 4, Trade Secretary Herminio Blanco described the ruling by the NAFTA panel as "reasonable." Blanco acknowledged that the anti-dumping rulings were made in a hasty manner and do not comply with terms of NAFTA. Other high-level officials in President Ernesto Zedillo's administration confirmed that the Mexican government will not protest the decision, in order not to harm the integrity of the binational trade dispute mechanism created under NAFTA. The decision to comply with the NAFTA-panel ruling means that the duty collected on imports of US steel plate will be refunded to US exporters. However, in his radio interview, Blanco said Secofi must still determine how much money will be refunded. Meantime, the Mexican iron and steel industry chamber (Camara Nacional de la Industria del Hierro y del Acero, Canacero) said the removal of countervailing duties against imports of US steel plate would have minimal impact on the country's steel industry.

According to Canacero, Mexico imports only about 16,000 metric tons of steel plate per year from the US. In contrast, Canacero officials noted that Mexico's Altos Hornos de Mexico (AHMSA) produces about 390,000 MT of steel plate, of which 230,000 MT is exported and 160,000 MT is sold in the Mexican market. "If this company is able to remain competitive outside of Mexico by exporting 59% of its production, then we are certain it can remain competitive in the domestic market," said Canacero president Julio Cesar Villarreal. On the other hand, Villarreal said the impact of the ruling by the NAFTA disputes panel could have a negative psychological impact on the Mexican steel industry. "The ruling could create the illusion that our anti-dumping legislation is weak," he said. (Sources: El Economista, Excelsior, 08/31/95; El Financiero International, 09/04/95; Reforma, 08/31/95, 09/05/95; El Norte, 09/05/95)

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