

1-17-1996

NAFTA Begins Third Year with Controversies over Transportation, Tomatoes

LADB Staff

Follow this and additional works at: <https://digitalrepository.unm.edu/sourcemex>

Recommended Citation

LADB Staff. "NAFTA Begins Third Year with Controversies over Transportation, Tomatoes." (1996).
<https://digitalrepository.unm.edu/sourcemex/3541>

This Article is brought to you for free and open access by the Latin America Digital Beat (LADB) at UNM Digital Repository. It has been accepted for inclusion in SourceMex by an authorized administrator of UNM Digital Repository. For more information, please contact amywinter@unm.edu.

NAFTA Begins Third Year with Controversies over Transportation, Tomatoes

by LADB Staff

Category/Department: Mexico

Published: 1996-01-17

On Jan. 1, 1996, the North American Free Trade Agreement (NAFTA) entered its third year, but the US and Mexico are still engaged in two major trade disputes. In one case, Mexico faces possible US restrictions on tomato imports. In the other case, the implementation of NAFTA agreements on transportation have so far been seriously delayed, holding up new regulations that are aimed at providing Mexican truckers much greater access to the US.

In both cases, the Mexican government has written formal letters of protest to US President Bill Clinton's administration, raising the possibility that the US has violated specific sections of NAFTA. The letters of protest, which fall short of directly accusing the US of NAFTA violations, have led to the creation of informal US-Mexico panels to attempt to find a solution that is acceptable to both countries. The case involving truck transportation may be especially difficult to resolve, since President Ernesto Zedillo's administration had already reached an informal agreement with the US in December 1995 to delay the implementation of regulations allowing Mexican truckers to travel within the borders of California, Arizona, New Mexico, and Texas. Under the NAFTA timetable, Mexican truckers would have gained the right to transport goods within the four US states by December 1995.

When NAFTA was implemented in 1994, Mexican truckers were immediately allowed to travel up to 30 miles into the US from the US-Mexico border, with the ultimate goal of fully opening the US to the Mexican trucking industry by the year 2000. The Clinton administration based its decision to seek a delay in implementing transportation regulations by citing the wide difference in requirements in each country regarding weight, size, and insurance coverage. Indeed, US transportation enterprises have voiced this concern since NAFTA was first implemented (see SourceMex, 02/23/94).

The Zedillo administration, which had informally agreed to a delay in the expanded opening for Mexican truckers, later reversed its position, partly due to pressure from the Mexican trucking industry. Following a meeting with members of the trucking industry chamber (Camara Nacional de Autotransporte de Carga, CANACAR), Trade Secretary Herminio Blanco immediately requested consultations with the US. Blanco promised CANACAR that if informal talks with the US do not resolve the matter, he would request the creation of a formal commission, headed by key cabinet officials of the two countries. "If the commission is not able to resolve the issue within a predetermined time period, then our country has the option to request a special NAFTA dispute resolution panel," Blanco promised CANACAR.

However, Blanco noted that the US has not yet technically violated NAFTA regulations on transportation, since there have not been any cases where the US has refused access to truckers with the appropriate legal documents. He said, however, that US authorities are delaying the issuance

of such legal documents, creating a problem for Mexican truckers. CANACAR officials said the US stance on transportation also violates NAFTA's rules on national treatment, which prohibits any of the three signatory countries from treating companies from the two other countries any differently than its own domestic companies. "We will continue to oppose efforts by US authorities to impose additional requisites on Mexican truckers," said CANACAR director Jose Refugio Munoz. Ironically, the dispute over access for Mexican truckers to the US appears to have taken a back seat to another concern voiced by the Mexican trucking industry: that US truckers would gain an unfair competitive advantage in Mexico under NAFTA, since US transportation enterprises have more modern and efficient equipment.

Meantime, the Clinton administration has denied that the US reneged on its obligations under NAFTA. Speaking to reporters, US Trade Representative Mickey Kantor explained that the US sought the delay in opening the trucking market because Mexican authorities had failed to comply with requirements on the size and weight of trucks. He said the solution proposed by the US is that the Zedillo administration modify trucking regulations to bring weight, size and insurance standards closer to those required by the US. Furthermore, Kantor emphasized that the administration's decision to seek the delay actually complies with another central point of NAFTA, which is to ensure the highest standards of health and safety for the citizens of the two countries. "We want to proceed in a cautious and responsible manner on both sides of the border," said Kantor.

Meantime, the controversy over imports of tomatoes followed a proposal by the US Commerce Department to change the manner in which tariffs are determined for imports of Mexican tomatoes. Under NAFTA, the tariffs on tomatoes imported mostly from Sinaloa and Sonora states have been determined on a seasonal basis. The changes proposed by the Commerce Department, however, would determine tariffs on a weekly basis. The Commerce Department's proposal attracted immediate protests from Mexican agricultural producers, who claim that the new method of tariffs would have the effect of limiting Mexican tomato imports. The protests by Mexican farmers and other political groups led the Zedillo administration to seek an informal consultation with the US government.

In a press conference in early January, Mexican Trade Secretary Blanco said the US proposal to impose seasonal tariffs on Mexican tomatoes has clearly "restrictive effects" and a "protectionist purpose" on the flow of Mexican tomatoes to the US. He accused the Clinton administration of bowing to pressure from US tomato producers, who for the past 20 years have sought mechanisms to tighten the import of Mexican tomatoes. "If the US imposes any measures that differ from those spelled out in NAFTA, then the US government would be in clear violation of the agreement," he said. Despite Blanco's strong rhetoric, the two sides have initiated discussions to resolve the issue. At a meeting in Mexico City in mid-January, Agriculture Secretaries Dan Glickman of the US and Mexico's Francisco Labastida signed a "memorandum of understanding," which in effect sets the parameters for holding future discussions.

According to the daily newspaper Reforma, in the memorandum, Mexico recognizes the right of the US to defend its own producers against a surge in imports of Mexican tomatoes. At the same time, Labastida and Glickman reached an agreement to create a mechanism to prevent a total closure of the US market to Mexican tomatoes. Until now, the US had not taken any concrete action on

complaints by US tomato farmers especially those in Florida who claim that Mexican tomato farmers had been selling their produce in the US at less than market value. Mexican tomato producers have countered that the advantage they gained in 1995 is due primarily to the devaluation of the peso relative to the dollar, which has cut the cost of exporting to the US. In a recent press conference, US Sen. Bob Graham (D-FL.) said the "invasion" of Mexican tomatoes and other produce has "caused suffering to too many agricultural families" in the US.

Graham backed his argument by citing US and state government statistics, which showed that shipments of Florida tomatoes to other US states declined by 30% to 10 million boxes last year, while total imports of Mexican tomatoes to the US increased by 130% to 7.3 million boxes. Sen. Graham requested that the Clinton administration take such steps as insisting that Mexican packing regulations comply with the standards required in the US, which would allow for an easier monitoring of the amount of tomatoes imported. He also asked that the administration create a mechanism whereby the US can reserve the right to impose immediate restrictions on tomato imports from Mexico if these imports appear to endanger US producers. The Florida senator said imports from Mexico have also endangered other produce grown in Florida. For example, he said Florida's sales of eggplant, bell peppers, and cucumbers to other US states declined by between 15% and 28% last year, while imports of those same products from Mexico in 1995 increased by between 41% and 129%.

The US and Mexico are expected to face significant obstacles in their attempts to resolve the tomato and transportation disputes because of strong political pressures on both Clinton and Zedillo to safeguard their country's national interests. For example, in a document released in mid-January, members of the governing Institutional Revolutionary Party (PRI) in the Chamber of Deputies called on PRI leaders, including Zedillo, to totally overhaul the party's policies regarding the economy. The document did not mention NAFTA by name, but staunchly criticized the neoliberal model, which relies extensively on free trade.

Members of the opposition Democratic Revolution Party (PRD) have been more blunt, urging the Zedillo administration to renegotiate sections of NAFTA to better serve the interests of Mexico and to ensure greater health and environmental protections for Mexico. The PRD report said NAFTA has not been beneficial to Mexico, since only 2% of the country's businesses have been able to take advantage of the increased export opportunities under agreement. Some analysts suggest that the anti-NAFTA sentiment in Mexico may represent anger at former president Carlos Salinas de Gortari, who made the agreement a cornerstone of his economic policies. Salinas is widely blamed for the devaluation of the peso in late 1994, which led to the virtual collapse of the Mexican economy in 1995. Indeed, a survey conducted by the daily newspaper Reforma in December showed that 59% of respondents said NAFTA had brought Mexico no benefits whatsoever since the agreement was implemented in 1994. When asked about the negative effects of the treaty, 22% mentioned job losses, 21% unfair competition, 12% an invasion of cheap and poor-quality products, and 11% the bankruptcy of small businesses.

At the same time, the negative ratings for NAFTA contrasted sharply with the much more positive opinions the newspaper found in a similar survey carried out a year ago, suggesting that anti-NAFTA feeling has grown as a result of the country's deep economic crisis in 1995. Meantime, the

political pressures faced by Zedillo appear to be minuscule when compared with those faced by Clinton during 1996, when NAFTA is expected to come to the forefront because of the presidential and congressional elections in November. In addition to the elections, Clinton is dealing with the new Republican majority in Congress, which was swept into power during the 1994 elections. Many of the new Republican members have teamed up with NAFTA opponents in the Democratic Party to introduce a bill seeking a repeal of the agreement.

The main sponsors of this bill, introduced in November 1995, are Rep. Wes Cooley (R- OR.), who was elected in 1994, and Marcy Kaptur (D-OH), who was one of the most staunch opponents of NAFTA during the congressional debates in 1993. "I don't believe if that piece of legislation (NAFTA) was brought before Congress today it would pass," said Rep. Cooley, referring to the ratification vote in November 1993. The measure was approved in the House by a relatively narrow margin of 234 to 200 (see SourceMex, 11/17/95). In the Senate, NAFTA won by a more comfortable majority of 61 to 38 (see SourceMex, 11/24/95). Indeed, the question of whether NAFTA has been beneficial for the US is expected to become a major issue during the upcoming campaign for congressional elections.

According to Rep. Kaptur, both Republican and Democratic candidates for Congress have approached her office asking for information on the impact of NAFTA to use during the campaign. "I can't tell you how many members have been coming to me talking about lost jobs in their districts," she said. In addition to the concerns about job losses, many opponents said NAFTA has resulted in an increase in environmental and health problems along the US-Mexico border and in Mexico. A report released in December by Public Citizen, a group founded by US consumer activist Ralph Nader, blamed NAFTA for the growth in toxic waste dumps in Mexico and the increase in birth defects along the US-Mexico border.

The most prominent voice against NAFTA, however, has been Republican presidential candidate Patrick Buchanan, who has urged the repeal of the agreement during campaign stops this year. According to political analysts, Buchanan's candidacy appears to have set the tone for the Republican campaign, forcing other presidential candidates who previously favored free trade, such as Sen. Robert Dole (R-KS.), to take a more protectionist stance. The analysts suggest that the protectionist tone of the campaign has forced the Clinton administration to adopt more of a hard line in trade relations with other countries, including the two actions against Mexico. In an article published in early January, the New York Times said plans by the Clinton administration to announce broad initiatives to enforce trade agreements with Canada, China, Japan, and other countries are part of a strategy to show a tough stance during the elections. "[This] move appears directed at protecting President Clinton against Republican accusations that his free trade agreements are costing jobs in the United States," said the New York Times.

Indeed, the Clinton administration's new protectionist stance has drawn strong criticism both in the US and Mexico. For example, a group of 15 members of the House of Representatives wrote a letter to Trade Representative Kantor criticizing the decision to delay access to Mexican truckers. The group, many of whom are Republicans, called the move a "dangerous precedent" and expressed concern about the repercussions on the effectiveness of NAFTA. The letter was signed by staunch supporters of NAFTA, including members of Congress from states bordering Mexico, such as Bill

Archer and Henry Bonilla of Texas and David Dreir of California. The signatories cited comments from US Transportation Secretary Federico Pena, who said enough safeguards exist to ensure safety on US highways. Also included were letters from the Republican governors of California, Texas, and Arizona, suggesting that there are no compelling reasons of security to delay the implementation of this section of NAFTA.

The administration's proposal to seek the change on the application of tariffs on tomatoes also drew some criticisms. "The Clinton administration's support of Florida tomato growers seems to be a move to build up political capital in a key state," said an article in *El Financiero International* weekly business newspaper. In Mexico, some political columnists questioned whether President Clinton was using Mexico as a "hostage" in his bid to gain reelection to the presidency. Leonardo Trejo Martinez, a columnist for the daily newspaper *Excelsior*, questioned Clinton's decision to put politics above the obligation to comply with NAFTA, given the president's initiative to forge a free trade zone in the Americas.

"In other words, Clinton believes he has sufficient moral strength to freeze an agreement with its southern neighbor because this signifies potential votes," said Trejo. At the same time, critics have also criticized the Zedillo administration for its "lukewarm" response to the Clinton administration's alleged violations of NAFTA. In a letter to Zedillo, leaders of the confederation of industrial chambers (*Confederacion de Camaras Industriales, CONCAMIN*), and the employers confederation (*Confederacion Patronal de la Republica Mexicana, COPARMEX*) urged the Zedillo administration to act vigorously against any violations of NAFTA on the part of the Clinton administration.

According to *Excelsior* columnist Trejo, the administration must act decisively to protect Mexico's economic interest. "We must act with energy on this matter because the export sector represents one of the few hopes to obtain economic growth in Mexico." (Sources: *New York Times*, 12/19/95, 01/05/96; *Notimex*, 01/09/96; *Agence France-Presse*, 12/18/95, 01/02/96, 01/08/96, 01/10/96; *Excelsior*, 01/05/96, 01/08/96, 01/11/96; *La Jornada*, 01/11/96, 01/12/96; *El Financiero International*, 12/25/95, 01/08/96, 01/15/96; *Reuter*, 01/15/96; *Reforma*, 01/05/96, 01/16/96; *Congressional Quarterly*, 01/96)

-- End --