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## **U.S. Government Working to Resolve Trade Disputes with Mexico**

*by LADB Staff*

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US President Bill Clinton's administration has taken decisive steps to resolve a number of disputes with Mexico as the North American Free Trade Agreement (NAFTA) begins its fourth year of existence. The US government appears ready to resolve conflicts with Mexico regarding a longstanding embargo on tuna imports and access of Mexican trucks to the US. In addition, the Clinton administration has begun to fulfill its commitment to allow limited imports of Mexican avocados. However, the administration's decisions have been met with strong opposition from domestic interests, which could complicate any resolution of these disputes with Mexico. Bill to lift tuna embargo under review

The dispute regarding Mexican tuna was almost resolved last year when the US House of Representatives passed legislation to end the US embargo against imports of tuna from Mexico and five other countries in Latin America (see SourceMex, 08/14/96). However, the Senate failed to pass a similar measure at the end of the congressional year, which effectively delayed an end to the embargo (see SourceMex, 10/09/96). The US imposed the tuna embargo in 1990, arguing that Mexican fishing boats were exceeding the 15% international limit for incidental capture of dolphins in fishing nets (see SourceMex, 11/07/90). The legislation proposed last year stated that Mexico and the other five countries have made sufficient progress in reducing the incidental capture of dolphins.

US Rep. Wayne Gilchrest (R-Md), who was the principal author of last year's House bill, has already introduced a similar bill this year. According to Gilchrest, the measure is expected to gain approval in the House during the first half of 1997. Just as he did with last year's legislation, President Clinton has voiced strong support for the new measure, which is also expected to easily gain approval in the Senate.

### ***US government expected to open borders to Mexican trucks***

The question of access for Mexican trucks also attracted some attention early in 1997. According to a report published in the US daily business newspaper Journal of Commerce, the Clinton administration has already decided to open the border to Mexican trucks this year. The newspaper said the decision would be announced in early February. Under terms of NAFTA, the US was scheduled to allow Mexican trucks to travel within the borders of California, Texas, Arizona, and New Mexico as of Jan. 1, 1996, and to any point within the US by the year 2000. However, in early 1996 the Clinton administration delayed the initial opening of the border indefinitely, citing the wide difference in requirements in each country regarding weight, size, and insurance coverage for trucks (see SourceMex, 02/23/94 and 01/17/96).

The International Brotherhood of Teamsters, which represents US truck drivers, has also raised concerns that Mexican truckers could take away some business from US drivers. "There's still a

strong possibility the Teamsters will sue and get an injunction to further delay the opening," said Gary Doyle, project legal director for transportation and customs with the National Law Center for Inter-American trade. Regarding the Journal of Commerce report, a White House spokesperson denied that the administration had actually reached a decision on the issue. "We are still analyzing the matter," the spokesperson said.

Meanwhile, a spokesperson for Mexico's trucking industry chamber (Camara Nacional de Autotransporte de Carga, CANACAR) told the weekly business newspaper El Financiero International that his organization holds a mixed position regarding the implementation of the NAFTA transportation clauses. In January 1996, CANACAR issued strong protests against the US delay in opening the border. But the spokesperson said that the Mexican trucking industry is not yet ready to compete with US trucks, which under NAFTA would also gain access to Mexican territory.

### *California growers protest partial end to Mexican avocado ban*

The Clinton administration's decision to allow limited avocado imports has attracted protests from the California Avocado Commission (CAC), which launched a US\$300,000 advertising campaign in early January to publicize its position. Under an accord with Mexico finalized late last year, the Clinton administration agreed to allow Mexican exporters to ship avocados to 19 states in the eastern US for a four-month period from November to February each year (see SourceMex, 10/16/96).

The decision partially ended the US embargo on Mexican avocados, which was imposed in 1914 because of concerns that Mexican producers had not taken the proper steps to eradicate pests such as the Mediterranean fruit fly from their avocado crops. The partial end to the embargo followed US Department of Agriculture (USDA) field studies conducted in 1995, which show that growers in Mexico's largest avocado-producing state of Michoacan had taken adequate steps to eliminate the fruit fly from their crops. California avocado growers contend that the USDA studies do not present conclusive evidence that Mexican avocados are free of the pest. "Ignoring scientific data makes a political pawn out of a billion-dollar industry," said CAC executive Mark Affleck.

Until now, California growers have accounted for 90% of the avocados sold in the US. On the other hand, growers in Michoacan state argue that their produce should be given wider access to the US market because the USDA has certified their produce as free of disease. The Michoacan growers say they should be allowed to sell their avocados in the lucrative California and Texas markets. Mexico's deputy trade secretary Decio de Maria Serrano attempted to take the middle ground in the dispute. Speaking in Los Angeles, De Maria said the limited opening of the avocado market would not have been possible without NAFTA.

### *Mexico seeks to resolve cement, broom, and meat disputes*

While a solution appears possible in the trade disputes with Mexico regarding avocado, trucks, and tuna, the Clinton administration must still address other trade conflicts with its southern neighbor. For example, the Trade Secretariat (SECOFI) in late January threatened to file a complaint with the World Trade Organization (WTO) against US restrictions on imports of Mexican cement unless the Mexican and US governments can reach a compromise on the matter. The issue was a major topic of discussion during a meeting between SECOFI's deputy trade secretary Jaime Zabudovsky and

US Department of Commerce undersecretary Stuart Eizenstat earlier this year. In September 1996, a special NAFTA dispute-resolution panel unanimously ruled to uphold US compensation quotas against Mexican cement manufacturers who were accused of selling their product at lower prices in the US than in Mexico.

The NAFTA panel said its decision was based on "the best information at its disposal," since the principal company in question, CEMEX, has declined to divulge information on cement prices in Mexico (see SourceMex, 09/18/96). In mid-January, Mexico also formally requested a NAFTA dispute-resolution panel to examine complaints that the US government has placed unfair tariffs on imports of Mexican straw brooms (see SourceMex, 09/18/96). According to the US government, the tariff of up to 40% is justified under a NAFTA clause that allows member countries to impose temporary restrictions to protect an endangered domestic industry. Notwithstanding the request for a special NAFTA panel, in December President Ernesto Zedillo's administration imposed restrictions to retaliate for the US tariff on straw brooms. These actions include an increase in tariffs on US liquor and other products (see SourceMex, 12/18/96).

The Zedillo administration is also under pressure from Mexican meat and livestock producers to take action against their US counterparts. For example, Mexican cattle ranchers in December filed a complaint with SECOFI alleging that US producers were selling beef in the US at below-market prices. The protest alleged that duty-free imports of 154,000 MT of US beef allowed under NAFTA have created unfair competition for Mexican beef producers. One month later, SECOFI asked for consultations with US counterparts to discuss US restrictions on imports of Mexican pork. Under NAFTA, the US has been able to block Mexican pork from the US because of health and sanitary concerns.

Mexican producers contend that the US restrictions shut them out of the US market totally, while Mexico has placed few restrictions on imports of US pork. Because of this, they said, US producers have gained as much as 30% of the Mexican pork market. SECOFI official Jaime Zabludovsky raised the possibility that Mexico may request a NAFTA dispute-resolution panel to consider this matter. For its part, the USDA has agreed to review its embargo against Mexican pork imports. According to USDA officials, one solution is to allow pork imports from the regions of Mexico where harmful hog diseases have been eradicated. (Sources: Siglo XXI, 01/10/97, 01/13/97; El Financiero Internacional, 01/13/97, 01/20/97; Notimex, 01/12/97, 01/19/97, 01/29/97; Novedades, 01/24/97, 01/28/97, 01/30/97; Reuter, Journal of Commerce, 01/29/97; Excelsior, 01/13/97, 01/31/97; El Nacional, 01/23/97, 01/31/97; The News, 01/28/97, 02/03/97; El Economista, 10/07/96, 01/13/97, 01/15/97, 01/17/97, 01/21/97, 01/30/97, 02/04/97; El Universal, 12/03/96, 12/16/96, 01/16/97, 01/22/97, 01/29/97, 02/04/97, 02/05/97)

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