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Mexico Imposes Preliminary Duties on Imports of U.S. Bond Paper

by LADB Staff

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In mid-February, the Secretaria de Comercio y Fomento Industrial (SECOFI) imposed preliminary duties ranging from 10.55% to 24.12% on imports of US bond paper. The tariffs, which will vary from company to company, will be maintained while SECOFI investigates charges that US firms exported paper to Mexico at below-market value. The ruling affects US companies Fort James Corp., International Paper Co., Georgia-Pacific, and Champion International.

SECOFI said a preliminary investigation concluded that a 17% increase in exports from US companies to Mexico in January-June 1997 coincided with lower prices for those exports during the same period. "This decline in prices had the effect of forcing national producers to lower their prices," SECOFI said. SECOFI launched its investigation at the request of the Camara Nacional de las Industrias de Celulosa y del Papel, which filed a complaint in December 1996 on behalf of Kimberly Clark de Mexico and other Mexican companies.

US-based paper-industry analyst Frances Loo said the preliminary duties should have minimal impact on the US firms because they affect only a small percentage of their operations. "In terms of tonnage, this is not a huge move," said Loo, of SBC Warburg Dillon Read in New York. A SECOFI spokesperson said the investigation will focus on whether the US firms continued to export their paper to Mexico in the second half of 1997 and the start of 1998 at below-market prices.

Based on those results, SECOFI will determine whether to modify the tariffs at a later date. The preliminary duties imposed this month are in addition to the current tariffs applied to US paper imports under terms of the North American Free Trade Agreement (NAFTA). Under NAFTA, tariffs on US bond paper have been reduced gradually from 10% in 1994 to 7% in 1998. The tariff is scheduled to be phased out in 1999. (Sources: Notimex, Reuter, Bloomberg News, 02/11/98; The News, 02/12/98)

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