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In early August, the US Commerce Department dismissed a complaint filed by independent US oil producers charging Mexico and three other countries with selling their oil in the US at below fair cost. The producers, who came together in a coalition called Save Domestic Oil (SDO), had charged that government subsidies in Mexico, Saudi Arabia, Venezuela, and Iraq reduced their production costs, allowing them to ship crude oil to the US at lower costs.

In a petition filed with the Commerce Department's International Trade Administration (ITA) in early July, the coalition requested that the agency conduct an anti- dumping investigation against the four countries (see SourceMex, 1999-07-07). Petition lacks broad industry support After reviewing the SDO complaint, the Commerce Department decided not to proceed with the anti-dumping investigation, citing a lack of broad industry support.

This decision was based on a poll of more than 800 petroleum- industry companies conducted by the Commerce Department that showed strong opposition from the influential American Petroleum Institute (API) and the large US-based multinational oil companies. The department said roughly 68% of respondents opposed the anti-dumping investigation. Multinational companies like Exxon, Shell, Mobil, Texaco, and Conoco depend heavily on imports of crude oil.

The SDO had attempted to convince the Commerce Department to disqualify the opinions of many large multinational companies, particularly those involved in joint ventures with oil companies in Venezuela. "Without adequate industry support, Commerce is prohibited by law from initiating investigations," the department said. "These cases are closed and no further action will be taken."

In formulating the decision, Commerce also took into account opposition to the SDO complaint from groups that rely heavily on oil and oil-based products, such as the American Trucking Association, the Air Transport Association, and the American Plastics Council. As expected, some members of the SDO denounced the Commerce Department's decision and said they would appeal. "The petitioners deserved their day in court," said George Yates, chairman of the Independent Petroleum Association of America. "Their purpose was simple: to determine if US trade law had been violated."

But Trade Secretary Herminio Blanco said he doubted an SDO appeal would be successful. "I believe data collected by Commerce regarding the lack of standing by the petitioners to be solid," said Blanco. Adrian Vazquez Tercero, a Mexican lawyer who specializes in anti-dumping cases, said the Commerce Department's decision also saved PEMEX from having to testify at an anti-dumping hearing. Such a hearing would have forced PEMEX to divulge strategic information on its costs and expenditures, said Vazquez.

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Other private oil-industry specialists said the dismissal of the anti-dumping complaint helped avert a trade war. "If this complaint is considered viable, then PEMEX could charge dumping against any Texas oil producer that exports to Mexico at prices below those charged by the state-run oil company," said specialist George Baker of Houston-based Baker Associates Energy Consultants.

Mexico eliminates tariff on US natural gas

The Commerce Department's decision to throw out the SDO complaint prompted the Mexican government to proceed with its decision to eliminate a 4% tariff on imports of US natural gas. The government had originally planned to end the tariff July 1, but suspended the action pending a resolution of the anti-dumping complaint (see SourceMex, 1999-05-26, 1999-07- 07).

The Secretaria de Comercio y Fomento Industrial (SECOFI) lifted the tariff Aug. 16, less than a week after the US decision not to proceed with the SDO complaint. "This action demonstrates the Mexican government's commitment to promote market-opening measures and the integration of our economy with the rest of the world," said a statement from the Secretaria de Energia (SE).

As expected, the government's decision was well-received by the Mexican private sector, since this will help ease a shortage of natural gas in northern Mexico. Carlos Pani, director of the consulting firm Pani y Asociados, said importing natural gas from the US will be cheaper for businesses in northern Mexico than transporting the same fuel from PEMEX's Cactus processing plant in Chiapas state.

Eliminating the tariff will expedite investments of more than US$2 billion in pipelines and other infrastructure along the US-Mexico border during the rest of 1999. SE statistics show US-based companies like Enron, El Paso Energy, KN Energy, and Sempra are involved in 22 natural-gas related infrastructure projects in northern Mexico. The pipelines under construction will bring natural gas to a wide variety of industries, including the electrical sector, which is projected to increase its power-generation capacity by 37% in coming years. One pipeline, connecting Texas with Monterrey, will supply the huge Monterrey III power plant currently under construction. (Sources: Spanish news service EFE, 08/03/99; Associated Press-Dow Jones news service, 08/05/99; Reuters, 08/02/99, 08/03/99, 08/04/99, 08/09/99, 08/10/99; The News, 08/10/99; Notimex, 08/03/99, 08/16/99; El Universal, 08/04/99, 08/06/99, 08/10/99, 08/11/99, 08/13/99, 08/17/99; El Economista, 08/05/99, 08/06/99, 08/10/99, 08/11/99, 08/17/99; Novedades, 08/05/99, 08/06/99, 08/10/99, 08/13/99, 08/17/99; Excelsior, 08/06/99, 08/10/99, 08/17/99)

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