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The bitter disputes between the US and Mexico regarding access of Mexican trucks to US roads and Mexican tariffs on high-fructose corn syrup gained increased attention during October because of actions taken either in the US Congress or the World Trade Organization (WTO).

The longstanding disagreement about US restrictions for Mexican trucks on US roads came to a boil Oct. 18, when the US House of Representatives voted to require the US Transportation Department to impose stiff fines on Mexican shipping companies that violate truck-transportation restrictions.

Under provisions negotiated in the North American Free Trade Agreement (NAFTA), Mexican trucks would have gained free access to US roads by 1995. But access was delayed twice because of safety concerns related to the wide difference in each country's requirements regarding weight, size, and insurance coverage for trucks (see SourceMex, 1996-01-17, 1994-02-26).

US House votes to tighten penalties on Mexican trucks

Because of the safety concerns, Mexican trucks are legally unable to travel more than a few miles inside the US- Mexico border. But reports that some Mexican trucks have been violating these restrictions prompted the US Congress to overwhelmingly approve the law imposing severe penalties on violators. The legislation was attached at the last minute to a motor-vehicle safety bill that was passed on a 415-5 vote in mid-October. "Clearly, if the [Department of Transportation] does not start issuing the harsh fines and penalties that this bill empowers it to do, then we will find millions upon millions of unsafe Mexican trucks on our highways and byways," Rep. William Lipinski (D-IL), said in a speech on the House floor.

Supporters of the tight restrictions argue that Mexican truck drivers could pose a hazard on US highways because they are not required to keep logbooks, undergo regular roadside inspections, or limit the hours per day they are behind the wheel. But President Ernesto Zedillo's administration has argued that the restrictions imposed by the US are unwarranted because the Secretaria de Comunicaciones y Transportes (SCT) already has an inspection system in place consistent with US standards.

The SCT has also argued that Mexican truck drivers have a generally good record in the border areas where they have been allowed to drive freely. The House action was partly the result of strong lobbying by the International Brotherhood of Teamsters, which also cited concerns that lower-paid Mexican truck drivers could bring unfair competition for US drivers. "We've seen drivers come across the border that are 16 years old making US$6 or US$7 a day," said Teamsters spokesman Bret Caldwell. "If you let them in, it is cheaper to transport goods that way. Americans will lose their jobs because they will be undercut in pay."

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The House move to require the strict fines came despite an agreement in mid-September by the US and Mexican governments to submit the issue to a dispute-resolution panel created under NAFTA. "The two countries want to resolve this issue as quickly as possible," a Mexican government source told the daily newspaper El Universal.

Miguel Quintanilla Rebollar, president of the Camara Nacional de Autotransporte de Carga (CANACAR), said the request for the panel was a last-resort option. "The Mexican government was trying to avoid a dispute-resolution panel, and was seeking some sort of agreement with the US government," he said. Quintanilla said the dispute-resolution panel should begin its review by the end of 1999. In a separate interview, Quintanilla acknowledged that if the border is opened to Mexican trucks, the industry will have to upgrade its fleet to meet US standards. He said the average age of the Mexican fleet is 15 years, compared with only five years for the US fleet. "Under these conditions we cannot compete overseas, especially in the US," Quintanilla told the daily newspaper Reforma.

Still, Quintanilla said modernizing the fleet could present a serious challenge to Mexican truckers, since high domestic interest rates have increased the cost of financing purchases of new trucks.

WTO panel issues preliminary ruling on corn-syrup dispute

A preliminary ruling by a WTO panel has apparently failed to resolve a heated dispute between Mexico and the US about imports of high-fructose corn syrup. The panel was requested by the US Commerce Department, based on a complaint that Mexican countervailing duties imposed against imports of US corn syrup were not justified (see SourceMex, 1998-02-04). The panel's review is not scheduled to be released to the public until early December, but the results of the ruling have been released privately to industry groups from both countries.

Complying with the request from the WTO, US corn- syrup manufacturers and Mexican sugar-industry representatives declined to offer details, but both sides claimed the ruling favored their position. The magazine Inside US Trade reported that the panel essentially handed down a divided ruling, concluding that Mexico violated its obligations to the WTO anti-dumping agreement when it failed to conduct a proper analysis on whether the Mexican sugar industry was actually threatened by the imports of US corn syrup. "I'm pretty limited as to what I can say," US Corn Refiners Association president Chuck Conner told Reuters. "[But] I can tell you at this point, we're not disappointed."

But the magazine also said the panel supported Mexico's right to initiate the anti-dumping procedures based on complaints by the sugar industry. The ruling on this point is a defeat for US corn-syrup manufacturers, who had argued that the anti-dumping investigation was not proper because corn syrup and sugar are two distinct products, even though they are used for similar purposes. "The preliminary finding directly contradicts the unjust accusations that have been raised on various occasions," the Camara Nacional de la Industria Alcoholera y Azucarera (CNIAA) said in a statement. Both sides will have an opportunity to comment on the confidential interim report before the WTO panel hands down its final ruling in December.

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Mexico imposes duties on US hogs, ends some steel restrictions

During October, the Mexican government took steps to protect its hog industry against US imports, but also eliminated restrictions on steel. SECOFI imposed a duty of US$0.351 per kg on imports of US hogs, effective Oct. 20. The duty applies to imports of live slaughter pigs weighing between 50 kg and 110 kg. SECOFI based its decision on market conditions between Oct. 1, 1997, and March 31, 1998, when domestic prices and sales declined significantly. "This was the result of an increase in hog imports from the US at less-than-fair-market value," said SECOFI.

The agency concluded that continued imports of US hogs to Mexico would seriously damage the country's pork industry. Separately, SECOFI eliminated compensatory tariffs on steel imports from Brazil and the US after two Mexican steel manufacturers withdrew dumping charges. "It was a gesture of goodwill toward the US because of reviews pending there [on Mexican steel exports]," an industry source told Reuters.

The government's Diario Oficial de la Federacion (DOF) said tariffs were eliminated after Mexico's biggest steel firm, Altos Hornos de Mexico (AHMSA), and Hylsa, a subsidiary of Hylsamex, the country's third-biggest steel producer, withdrew complaints. The decision means that US exporters USX-US Steel, Bethlehem Steel, Hubbell, Lukens Steel, and Geneva Steel will no longer have to pay tariffs on cold-rolled sheet and slabs. The DOF said tariffs were also lifted on specialty steels produced by Brazil's Industrias Villares. (Sources: Bloomberg news service, 06/23/99; Excelsior, 06/25/99; El Economista, 07/07/99, 09/14/99, 09/20/99, 10/19/99; Associated Press, Los Angeles Times, 10/19/99; Reuters, 09/15/99, 10/06/99, 10/19/99, 10/21-23/99; El Universal, 06/25/99, 09/14/99, 10/09/99, 10/19/99, 10/20/99, 10/22/99, 10/25/99)

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