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Disputes with Ecuador, U.S., China Reflect Zedillo Government's Trade Dilemma

by LADB Staff
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President Ernesto Zedillo's administration continues to wrestle with the longstanding dilemma of striking a balance between its commitment to free trade and its need to protect domestic industries. In December, the Mexican government became involved in a new trade dispute with Ecuador on tuna tariffs but took steps to resolve a disagreement with the US regarding meat inspections. At the same time, pressure on the administration continued to retain restrictions against Chinese imports to protect the Mexican toy, clothing, and footwear industries.

Ecuador retaliates against Mexican tuna tariffs

Mexico and Ecuador have become involved in a trade disagreement that threatens to severely damage commercial relations between the two countries. The trade dispute erupted after Mexico's Secretaria de Comercio y Fomento Industrial (SECOFI) eliminated preferential treatment for tuna imports from Ecuador. The preferences had been negotiated under terms established by the Asociacion Latinoamericana de Desarrollo Intraregional (ALADI).

Ecuador responded to the SECOFI tariffs by imposing tariffs on imports of Mexican cement and announcing possible restrictions on other Mexican products. SECOFI said its decision to impose tariffs of 23% on Ecuadoran tuna is justified under ALADI guidelines, which allow any signatory country to impose safeguards to protect its domestic market. SECOFI said imports of Ecuadoran canned tuna had increased to US$3.2 million this year, compared with only about US$167,000 in 1997. SECOFI's move to tax Ecuadoran tuna coincides with a surge in the Mexican tuna catch, attributed partly to the weather phenomenon La Nina in the Pacific Ocean.

"The Mexican fishing industry has enjoyed a bountiful tuna catch this year, but we don't have any place to market this increased catch," said Alfonso Rosignol, director of Mexico's Camara Nacional de la Industria Pesquera (CANAINPES). Rosignol accused the Ecuadoran fishing industry of ignoring international protocols that require tuna-producing countries to implement measures to protect dolphins.

By ignoring the protocols, said Rosignol, the Ecuadoran fishing industry is cutting its costs. Mexico and Ecuador were among seven countries that signed an agreement in 1998 that ended a US embargo on tuna in exchange for a pledge to implement dolphin-protection measures (see SourceMex, 1998-05-27).

Mexican Trade Secretary Herminio Blanco said Mexico will try to reach some sort of agreement with Ecuador, including negotiating a timetable to phase in the Mexican tariffs more gradually. "We are trying to set some parameters that will partially satisfy the government of Ecuador and at the same time maintain the protections for our tuna industry," Blanco told reporters. But Blanco's conciliatory

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stance failed to sway the Ecuadoran government, which immediately announced tariffs of 20% on cement imports from Mexico. "The cost of Mexican cement is 20% below our domestic product, which hurts our producers," said Ecuador's Consejo de Comercio Exterior de Inversiones (Comexi).

The Mexican company most affected by Ecuador's restriction is Cooperativa Cementera Cruz Azul, which controls slightly more than 4% of Ecuador's cement market. A Comexi spokesperson said Ecuador may still impose tariffs on other Mexican products, including medicines, chemicals, tires, and beauty products. The spokesperson also said Ecuador is planning to bring the dispute regarding tuna tariffs to the World Trade Organization (WTO). "The actions by the Mexican government are absolutely discriminatory," the spokesperson said.

Mexico temporarily suspends ban on US meat imports

The Mexican government has temporarily suspended a ban on meat imports from 17 US plants while trade officials from the US and Mexico attempt to solve a dispute regarding food-safety regulations. Zedillo's administration imposed the ban on the US meat imports in late November, after its inspectors completed inspection of US plants that export meat and poultry to Mexico. These plants, primarily in Texas, Kansas, and Arkansas, are operated by giant US meat processors like Farmland Industries, Excel, Pilgrim's Pride, and Sanderson Farms. In a letter to the US Department of Agriculture (USDA), the Mexican government said it had "serious concerns" about the sanitary procedures employed at the plants.

An official for Mexico's Secretaria de Agricultura, Ganaderia y Desarrollo Rural (SAGAR) cited concerns about a lack of US sampling programs to determine toxic residues and salmonella. In addition, he said US plants that export to Mexico have failed to meet proper standards for sanitation and worker health. USDA sources, however, said the department's inspection indicates that the plants have followed proper hygienic procedures. "Never before has a country summarily delisted all US establishments that were audited," said John Prucha, assistant deputy administrator of the USDA's Food Safety and Inspection Service (FSIS). "The FSIS considers the delistment of the 17 establishments to be highly unusual and unwarranted."

US meat-industry sources accused Mexico of imposing the ban in retaliation for a USDA decision to ban meat imports from three Mexican packing plants because of health concerns. When these restrictions were imposed, the USDA declined to identify the plants, but cited "two very serious situations that involved imminent public-health hazard." The US meat industry and government sources said the Zedillo administration may have acted against the US plants because of pressure from Mexico's cattle producers. In July of this year, Mexico imposed temporary duties against several US packers for selling their products in Mexico at below-market value (see SourceMex, 1999-08-04, 1999-08-11).

The US and Mexican governments will attempt to resolve their disputes on meat-inspection procedures at a meeting the end of January. SAGAR officials said the two countries intend to use the meeting, scheduled for Jan. 31, to formulate strategies and establish mechanisms to approve exporting plants in both countries.

Industries urge SECOFI to maintain restrictions on China

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Mexican toy, clothing, and footwear manufacturers are urging the Zedillo administration to maintain existing countervailing duties on imports of a wide range of Chinese products despite international pressures for Mexico to further open its markets.

In November 1994, SECOFI announced duties of 4% to 533% on products ranging from textiles and organic chemicals to shoes, toys, and pencils. The government imposed the duties after concluding that China was selling many products in Mexico at below-market costs (see SourceMex, 1994-11-02). At present, China must pay tariffs as high as 351% on toys, up to 533% on clothes, and as much as 1,300% on footwear.

Representatives of the footwear, toy, and clothing industries are concerned that Mexico may be forced to abandon or ease restrictions against China if that country is admitted to the WTO. China's membership in the WTO was one of the agenda items scheduled for consideration at the organization's meeting in Seattle this past November, but the decision was postponed until a later meeting. Helius Eguiluz Algam, president of the Asociacion Mexicana de la Industria del Juguete (Amiju), said the elimination of tariffs on Chinese products would significantly harm Mexican manufacturers.

"Mexican products will simply be pushed aside by a brutal price difference, and incredibly cheap products will be arriving in Mexico without consideration for quality," Eguiluz told Reuters. Eguiluz said the introduction of inexpensive Chinese toys to Mexico could result in the loss of at least 4,000 direct jobs in the toy industry and thousands more in related industries. Government statistics show the toy, footwear, and clothing industries together employ about 705,000 Mexicans.

Amiju officials said China, which produces 60% of all toys manufactured in the world, has still managed to sneak its products into Mexico. Many Chinese toys are smuggled into the country and sold on the black market (see SourceMex, 1997-12- 10). Raul Garcia, president of the Camara Nacional de la Industria del Vestido (CNIV), also urged the Zedillo administration to crack down on "triangulation," whereby China introduces its products into Mexico via another country. "Chinese clothes imports have been cut to almost zero, but we have serious suspicions that they are coming through third countries," said Garcia. (Sources: La Jornada, 12/13/99; Associated Press, 12/02/99 12/14/99; Excelsior, 12/01/99, 12/15/99; The News, 12/15/99; Reuters, 11/23/99, 11/30/99, 12/01/99, 12/03/99, 12/09/99, 12/14/99, 12/16/99; Agence France-Presse, 12/20/99; El Universal, 12/17/99; Notimex, 12/14/99, 12/16/99, 12/21/99; Novedades, 12/15/99, 12/16/99, 12/17/99, 12/21/99; El Economista, 12/17/99, 12/22/99)

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