Trade News In Brief

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The Mexican government is expected to retain trade restrictions on imports of Chinese textiles while seeking to foster a more open trade relationship with Japan and Brazil. In early April, the Secretaria de Comercio y Fomento Industrial (SECOFI) announced its intentions to retain countervailing duties on Chinese textiles. A few days later, SECOFI began informal talks with Japan on a bilateral trade accord and also announced a more flexible position in discussions with Brazil on duties for Mexican motor vehicles.

Mexico to retain duties on Chinese textiles
The Mexican government is expected to retain countervailing duties on imports of textiles imported from China for another five years. SECOFI imposed the duties on textiles and other products in October 1994. Speaking to members of the Camara Nacional de la Industria Textil (CANAINTEX), Trade Secretary Herminio Blanco said the decision to renew the duties would be announced after SECOFI concludes its follow-up anti-dumping investigation of the imports of Chinese textiles. The government first announced its intentions to retain the countervailing duties in the daily federal register (Diario Oficial de la Federacion) in late February. The register reported duties against Chinese textiles would probably remain at 379% to 533%, the levels imposed in October 1994 (see SourceMex, November 2, 1994). The register said the duties, intended to protect the Mexican textile industry, are based on information compiled by SECOFI and data provided by CANAINTEX and four other regional textile chambers in recent months. The information shows that the conditions that required placing the duties have not changed. For example, said SECOFI, China continues to produce surplus clothing and textiles and is looking for markets for these products, even at cut-rate prices. But Mexico’s restrictions on imports of textiles and other Chinese products during the past five years have done little to narrow the trade deficit between the two countries. In 1999, Mexico imported US$202 million worth of Chinese products. In contrast, the value of Mexican exports to China amounted to only US$14.8 million. SECOFI did not say whether the government would seek to retain countervailing duties on a wide range of products that were also sanctioned in 1994. These products included organic chemicals, clothing, pencils, pencil sharpeners, and industrial valves.

Mexico & Japan begin preliminary talks on trade accord
Trade Secretary Blanco has begun preliminary and informal discussions with Japanese officials about possibly negotiating a Mexico-Japan free-trade agreement. Blanco discussed the accord with his counterparts from the Japanese government’s External Trade Organization (JETRO) during a trip to Tokyo in early April. A recent JETRO study supported the idea of a free-trade agreement, which could expand Mexican-Japanese trade by about 30%. The study showed exports of some Japanese products such as precision instruments, watches, and photographic equipment--could increase significantly with a bilateral accord. "[O]ur report has already been submitted to the Japanese Trade Ministry and I do hope that negotiations between the governments will start at the appropriate time," said JETRO President Noboru Hatakeya. JETRO said Japanese corporate giants like Toyota, Nissan, Hitachi, Mitsubishi, Sumitomo, Sony, and others very much favor negotiating an agreement...
with Mexico so they can compete more favorably in the Mexican market with companies from the US, Canada, and the European Union (EU). The Mexican government is selling the possible Japanese–Mexican accord as an opportunity for Japanese companies to consolidate their positions in the North American and EU markets, especially with the pending implementation of a Mexico-EU accord. "Given that the tariffs on the industrial products that we export to Europe will be zero by January, 2003, they should consider Mexico not only as a place to invest and export to the US but a place to invest and export to Europe," Blanco told Reuters. But the JETRO study said Japanese farmers oppose an accord because of concerns that a flood of lower-priced imports of Mexican agricultural products would harm their domestic market. The report suggested that a Japanese-Mexican agreement would have to include significant protections for the Japanese agricultural sector. "We understand that a consensus has to develop here and there are some sensitivities on the agricultural side," said Blanco. "But there were some sensitivities on the agricultural side with Europe and we were able to conclude a deal." For example, said Blanco, the two sides could agree on exemptions for certain products like rice, which receives special protection from Japan. In its accord with the EU, scheduled to go into effect in July, Mexico agreed to exemptions for dairy, products, meats, and grains. But the Mexican agricultural sector may not support the accord if Japan does not open its market sufficiently. A recent study by Colegio de Mexico said eliminating quotas, tariffs, and other barriers could provide great opportunities for exports of Mexican products like meats, fruits, vegetables, coffee, and cotton to Japan. Still, the study noted that Mexico has a steady market for pork and lemons in Japan despite that country's tight agricultural restrictions.

**Mexico offers flexibility on vehicle talks with Brazil**

In a gesture to push tariff negotiations forward, the Mexican government has dropped its demand that Brazil eliminate all taxes on imports of Mexican motor vehicles. Brazil currently charges a tariff of 35% on imports of Mexican motor vehicles, while Mexico's tariff on Brazilian cars and trucks is only 20%. Mexico had originally demanded that Brazil eliminate its import tax on Mexican motor vehicles, but has since agreed to accept a small tariff. "We feel it is fundamental for Brazil to eliminate the tariff," said Blanco. "But we would favor a tariff of 7% or 8% or 10%." Amalia Espinosa, director of economic studies for the Asociacion Mexicana de Distribuidores de Automotores (AMDA), said the Mexican and Brazilian governments are expected to settle on a reciprocal import tariff of 8% and an export quota of 60,000 motor vehicles for each country. The Asociacion Mexicana de la Industria Automotriz (AMIA) and Brazil's Asociacao Nacional dos Fabricantes de Veiculos Automotores (Anfavea) have been pressuring their respective governments to reach an agreement on motor-vehicle tariffs. Earlier this year, the two organizations formed a working group to analyze how the automobile sectors in the two countries could be integrated (see SourceMex, February 9, 2000). "This is an agreement between manufacturers more than between governments," said economist Adalberto Gonzalez of the Grupo de Economistas Asociados (GEA). "Much of it covers a handful of manufacturers that operate plants both in Mexico and Brazil." Brazilian negotiators said they are pushing for negotiations on motor-vehicle tariffs to be completed before the scheduled talks on a broader tariff agreement in Mexico City April 17-19. Mexico and Brazil had negotiated a tariff-preference accord in 1995, but the agreement was scrapped in 1997 because of disputes regarding NAFTA's impact on Brazilian trade with the US (see SourceMex, May 5, 1999, June 28, 1999). The two countries, which have already held initial discussions on issues such as rules of origin, dispute-resolution mechanisms, and market access, earlier this year agreed on the parameters for an accord (see SourceMex, September 22, 1999, February 9, 2000). Meanwhile,
Argentine motor-vehicle manufacturers have expressed interest in talks with AMIA, which could also serve as a basis for a Mexican and Argentine tariff accord on motor vehicles. "We are closely watching the discussions between AMIA and Anfavea," said Rodolfo Ceretti, director of Argentina's Asociacion de Fabricas de Automotores (Adefa). [Sources: El Financiero, 02/25/00; Spanish news service EFE, 03/21/00; El Universal, 03/30/00; Notimex, 02/22/00, 04/03/00; Reuters, 02/28/00, 03/29/00, 04/03/00; Novedades, 02/22/00, 04/04/00; Excelsior, 02/22/00, 03/22/00, 04/04/00; El Economista, 02/24/00, 02/25/00, 04/04/00]