Posted on Wednesday, 03.18.09

Mexican tariffs on 89 US products take effect

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MEXICO CITY -- U.S. officials are assessing the cost of new Mexican tariffs that take effect Thursday in retaliation for a U.S. decision to cancel a cross-border program that gave Mexican truckers access to their northern neighbor's highways.

The tariffs affect about $2.4 billion in annual trade and 89 U.S. products, ranging from fruit and wine to washing machines, according to the Mexican government. Assistant Economy Secretary Beatriz Leycegui warned the list could grow unless there is progress toward resolving the trucking dispute.

The U.S. was required under the North American Free Trade Agreement to grant Mexican trucks full access to its highways by January 2000, but domestic opposition led U.S. legislators to delay the opening until a pilot program allowing some trucks was instituted in 2007.

The U.S. ended that program last week - a move that Mexican Economy Secretary Gerardo Ruiz Mateos called "wrong, protectionist and a clear violation" of NAFTA. The 1994 agreement allows Mexico to introduce retaliatory tariffs equal to the amount of trade lost by the truck ban.

Many U.S. officials and exporters responded with concern.

"In good times, an economy may be able to weather this kind of thing. But now it's devastating," said Rep. Dave Camp of Michigan, whose district is home to cherry farmers, manufacturers and chemical producers such as Dow Chemical Co. that will be affected.

The tariffs apply to 36 agricultural and 53 industrial products, including onions, strawberries, shampoo, toothpaste, pet food, books, pencils and dishwashers. The only item facing a 45-percent tax is fresh grapes. Some 55 other products will be taxed at 20 percent, and the remaining 33 items at 10 to 15 percent.

NAFTA normally exempts agricultural products from such duties.

The U.S. Department of Agriculture was still assessing the cost of the tariffs.

"We have alerted all the industry associations that represent these producers, the state regional groups and agriculture trade advisory groups so that we can continue to work with them as we assess the effects the tariffs will have on the markets," said Nayyera Haq, a USDA spokeswoman.

Mexican officials appear to have targeted products from states represented by lawmakers who are influential in Congress or have some kind of voice on trade issues.

For example, sunflower seeds, which appear on the tariff list, are produced in North Dakota - the home state of Sen. Byron Dorgan, who authored the language that ended spending on the Mexican trucks pilot program.

"In these challenging economic times, we need more open markets, not higher tariffs," said Brian Black, a Texas Agriculture Department spokesman. "We are asking President Obama and his Mexican counterpart to resolve this issue as soon as possible."

Mexico is Texas' No. 1 trading partner - and the second biggest buyer of U.S. exports.

In one of the last and largest NAFTA-related disputes, the U.S. has long delayed granting Mexican trucks access to its roads. Mexico brought the case before a dispute-resolution panel, which ruled in its favor in 2001.

But the Teamsters union, U.S. consumer groups and independent insurers have warned that Mexican trucks are unsafe and lobbied Congress to keep them out. Many unions also voiced fears that U.S. drivers would lose work if lower-paid Mexican truckers could carry goods across the United States.

The disputed program was created in 2007 to allow some Mexican trucks beyond a border buffer zone. The Mexican government notes that trucks crossed into the U.S. 46,000 times under program, with few of the safety problems that opponents had feared.

But a measure to bar spending on the program was contained in the sweeping government spending bill President Barack Obama signed into law last week.

The administration says Obama has asked the office of the U.S. Trade Representative to work with the Department of Transportation, the State Department and Congress to create a new program.

"There's a growing concern about the hypocrisy of trade policy where we (the United States) say, 'Do as we say, not as we do,'" said Kevin Gallagher, an economist and NAFTA expert at Boston University. "I think countries are getting a little fed up with that double standard."