



MEXICO INCREASES TARIFFS ON AGRICULTURAL GOODS

March 18, 2009

The Mexican government today announced higher tariffs for 90 products in retaliation for a move by the United States to close a cross-border trucking pilot project. Most of the increases were 10 to 20 percent, but one product's tariff was increased 45 percent. The increases were in response to the border action, which Mexico believes is a violation of the North American Free Trade Agreement (NAFTA).

Agricultural and food products subject to increased tariffs include: Christmas trees, onions, pears, apricots, cherries, strawberries, potatoes, peas, almonds, soy sauce (made from soybean oil), certain red wines, sunflower seeds, dog and cat food, and copy and toilet paper.

The list does not include some agricultural products that had been expected, such as key commodities of wheat, beans, rice, and meat products, but does include several raw agricultural products as well as processed products made with agricultural ingredients.

Last week, Congress stopped a pilot program that had been in place since April 2007. The program allowed a select number of Mexican trucks access to the United States, and a similar number of U.S. trucks were allowed into Mexico. The omnibus spending bill signed by President Obama to fund the large majority of the government for the current fiscal year included a provision terminating the program. The full liberalization of Mexican trucking in the United States was negotiated under the 1994 NAFTA accord, but was never put into effect because of objections from some lawmakers at the behest of unions under the guise of truck safety. The American Trucking Associations has supported the program due to the opportunities for U.S. trucking companies and has worked to ensure the safety of Mexican trucks making deliveries in the United States.

Members of Congress who were opposed to ending the program said that Mexico is entitled to retaliate, that retaliation makes these U.S. products significantly less competitive and that a continued dispute could close the Mexican market to many of our exports.

The Obama Administration has stated that it shares the concerns of U.S. lawmakers that opposed the program, but will propose a new trucking project that will meet the concerns of Congress and will honor our NAFTA commitments.