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Lack of Action to Resolve Mexican Trade Dispute Hurts U.S. Economy

Background

In March 2009, the U.S. Congress included a provision in the 2009 Omnibus spending bill that effectively terminated a compromise effort to implement its North American Free Trade Agreement (NAFTA) obligations to permit full U.S.-Mexico cross-border trucking (the Cross Border Trucking Pilot Program).

Due to the termination of this program, the United States is now in violation of its bilateral trade obligations with Mexico on international trucking. In response, on March 19, 2009 the Mexican government instituted retaliatory tariffs on $2.4 billion worth of U.S. manufactured and agricultural exports.

Over $1.5 billion in U.S. manufactured products and $900 million in U.S. agriculture products are impacted by the retaliatory tariffs. **The retaliation puts over 12,000 agricultural and 14,000 manufacturing jobs at risk.**

<u>While appropriations “rider” has now officially expired, the U.S. will continue to suffer from retaliatory tariffs until the U.S. takes proactive action to comply with its NAFTA obligations.</u>

Cross Border Trucking

Under the North American Free Trade Agreement – Canadian and Mexican truck drivers must abide by all the same laws U.S. truck drivers abide by when operating in the United States. Trucks that do not meet these standards – are simply not allowed to operate in the United States.

THIS IS NOT AN ISSUE OF SAFETY: there is absolutely no evidence to suggest Mexican trucks operating in the United States are unsafe. In fact – the opposite is true. Both the Inspector General’s Status Report on the Cross Border Trucking Pilot Program, issued on February 6, 2009, and the Independent Evaluation Panel Report, dated October 31, 2008, found that

Mexican trucks not only were safe but that they were safer than their U.S. counterparts. <u>A solution that meets our NAFTA obligation while protecting domestic roads and highways is clearly achievable.</u>

Impact of Tariffs – <u>Lost American Jobs</u>

Jobs in the U.S. are being lost as a result of the tariffs. Export volumes are declining and market share that may not ever be recovered is being lost. For example exports of frozen potato products have declined from nearly $7 million a month to barely $3 million in less than a year since the tariffs were applied. Over the same time period Canadian exports to Mexico of the same frozen potato products have increased by more than 75 percent.

Many companies have chosen to pay the tariff to protect their market share and to be able to continue to meet the needs of their customers. For high value products this results in the loss of hundreds of millions of dollars that might otherwise go to hire additional employees or invest in new facilities or equipment. The net result is that the tariffs result in less business activity and a continued stagnant economy.

Administration Response

Based on statements from The U. S. Department of Transportation issued more than 6 months ago significant work has been done to develop a set of principles that can be the basis for a thoughtful debate on the cross border trucking program that can be instituted to resolve this costly and disruptive trade dispute. <u>Yet to date no plan for a solution has been articulated by the Administration.</u>