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USTR 2007 NTE on Foreign Trade Barriers: Mexico's Economy



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On April 2, 2007, the Office of the United States Trade Representative (USTR) published the National Trade Estimate (NTE) report on Foreign Trade Barriers, which surveys significant trade barriers to US exports. We highlight the NTE report's comments on the trade practices.

Analysis

The annual NTE report, which is required by the Omnibus Trade and Competitiveness Act of 1988, is an inventory of the most significant foreign barriers to US exports of goods and services, foreign direct investment by US persons and protection of intellectual property rights (IPR).

The 2007 NTE report classifies foreign trade barriers into ten different categories, covering all government measures and policies, whether consistent or inconsistent with international trading rules, that restrict, prevent or impede the international exchange of goods and services. These categories include: (i) import policies; (ii) standards, testing, labeling and certification; (iii) government procurement; (iv) export subsidies; (v) lack of intellectual property protection; (vi) services barriers; (vii) investment

barriers; (viii) anticompetitive practices with trade effects tolerated by foreign governments; (ix) trade restrictions affecting electronic commerce and (x) other barriers.

The report examines the trade practices of the 63 major trading partners¹ that are the largest export markets for the United States.

Mexico

In 2006, the United States held a trade deficit with Mexico in the goods sector of US\$64.1 billion, an increase of US\$14.3 billion over 2005. In 2004, US FDI in Mexico amounted to US\$71.4 billion and was mainly oriented to the manufacturing, banking and finance sectors. The NTE report highlights the following issues related to Mexico's import policies and investment barriers:

- Under the North American Free Trade Agreement (NAFTA), Mexico eliminated tariffs on most industrial and agricultural goods from the United States. Trade growth in agricultural products has been balanced since NAFTA entered into force. However, this has not been the case for non-agricultural trade.

- Several US agricultural and non-agricultural exports are subject to antidumping duties that limit entry to the Mexican market. Goods subject to these duties include beef, apples, bond paper and carbon steel pipe and tube. In 2006, Mexico terminated antidumping duties on US long-grain white rice.
- In December 2006, the Mexican Congress eliminated a controversial 20 percent tax on High Fructose Corn Syrup (HFCS). The repeal of the 20 percent tax on HFCS follows the United States' and Mexico's agreement to a deadline for Mexico to comply with a World Trade Organization (WTO) ruling (DS308, *Mexico-Tax Measures on Soft Drinks and Other Beverages*) that a Mexican tax on soft drinks and other beverages with non-sugar sweeteners was inconsistent with WTO rules. In July 2006, Mexico and the United States agreed to the terms of an agreement to end the 12-year-old dispute over US-Mexico sugar trade. Among other things, Mexico agreed not to impose duties on US HFCS, effective January 1, 2008.
- Mexican sanitary and phytosanitary standards create barriers to certain US agricultural goods, including grains, seed products, pork, beef, poultry, apples, dry beans and avocados.
- Mexican customs' administrative procedures are inconsistent, burdensome, unevenly enforced and often change without sufficient prior notification. Mexico also requires import licenses or registration for imports of sensitive products, often delaying importation or imposing additional costs to the importer.
- Since 2003, Mexico has remained in the Special 301 Watch List. According to USTR, the extent of IPR violations in Mexico "remains dramatic," despite a fairly extensive set of IPR laws and an increase in the number of arrests and seizures.
- Mexico's telecommunications market remains uncompetitive and regulatory agencies are unresponsive to complaints of market discrimination.

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¹ The 63 major trading partners comprise 58 countries, the Arab League, the European Union (EU), the South African Customs Union (SACU), Hong Kong, and Taiwan.