

## Don't keep on trucking

*Mexico retaliates against American congressmen who want closed borders.*



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In January Mexico's president, Felipe Calderón, became the only foreign leader to meet Barack Obama between his election and his inauguration. Their long lunch was a success. Mr Obama said afterwards that he would be "ready on day one to build a stronger relationship with Mexico." According to one Mexican official present at the talks, the visitors felt reassured that Mr Obama would resist protectionist pressures and that the criticisms of the North American Free-Trade Agreement (NAFTA) he had expressed during the campaign could be dealt with in a trilateral review, involving all three North American countries, that would seek to improve the agreement rather than unpick it.

Just two months later, the honeymoon has soured somewhat. Mr Calderón has taken to lambasting American officials for allowing the illegal drug trade between the two countries to flourish, and to criticising the American media's coverage of Mexico's drug-related violence. Now a provision inserted into the Omnibus Appropriations Bill signed into law by Mr Obama has scrapped a pilot programme that allowed a small number of Mexican trucking companies to carry cargoes north of the border—as NAFTA requires.

Mexico's response was swift. On March 18th it imposed tariffs of up to 45% on 90 American agricultural and industrial imports, ranging from strawberries and wine to cordless telephones. The list was carefully chosen to avoid pushing up prices of staples in Mexico while hitting goods that are important exports for a range of American states. That way, it could have maximum political effect north of the border.

Since NAFTA was signed in 1992, trade between Mexico and the United States has boomed. But the issue of road transport has turned into a political battle. Around two-thirds of cross-border trade goes by road. Transport companies from each country were supposed to be able to operate freely in the others by 2000. The Teamsters union, whose members include American truck drivers, has fought a long and largely successful rearguard action against this provision. It argues that Mexican trucks are unsafe and polluting and their drivers insufficiently trained.

An American court rejected these arguments. So did a NAFTA dispute-settlement panel, which ruled in 2001 that the United States was violating the agreement and gave Mexico the right to

impose retaliatory tariffs. Mexico chose not to do so, to give the United States a chance to honour its commitment. The Bush administration tried, but was thwarted when Congress approved a measure setting 22 new safety standards for Mexican trucks.

To try to break this stalemate in 2007 the Bush administration set up the pilot programme, under which trucks from 100 transport firms in each country were allowed to cross the border. Opponents in Congress slipped a provision delaying this into an unrelated bill. This was hailed by James P. Hoffa (son of Jimmy), the Teamsters' president, as a victory in "the battle to keep our borders closed". But the pilot scheme eventually went ahead.

The Teamsters' safety argument looks spurious. Mexican transport firms have invested in new trucks and trained their drivers to meet the safety requirements under the pilot scheme. A study commissioned by America's Department of Transportation, which tracked Mexican trucks operating north of the border in the first year of the programme, found that these trucks clocked up far fewer safety violations than their American counterparts.

The Teamsters' victory means that most Mexican goods going north will continue to have to be unloaded at the border, reloaded for the short hop across it, then loaded again onto an American truck. This amounts to what Mexicans call a "trucking tax". And since the short-haul lorries tend to be older gas-guzzlers, it is environmentally unfriendly, points out Barbara Kotschwar, a trade specialist at Georgetown University in Washington, DC. No such restrictions apply to Canadian lorries.

Mexico had the right to impose bigger tariff rises. Its government hopes the dispute can still be settled. The American administration said it would try to come up with a new scheme to meet the "legitimate" concerns of Congress. That will be a job for Ron Kirk, confirmed this week by the Senate as United States Trade Representative. But Mr Obama's early capitulation to a transparently protectionist lobby sets a worrying precedent. On March 25th Hillary Clinton, the secretary of state, will visit Mexico, dispatched by Mr Obama originally to discuss security issues. Her task will now also be to reassure America's second-biggest trade partner that her country honours its commitments. Perhaps Mexican officials should invite her to make the return journey by truck.

**The Economist, New York, 19 mar. 2009, The Americas, online. Disponível em <[www.economist.com](http://www.economist.com)>. Acesso em: 26 mar. 2009.**