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Time to end the U.S. dispute with Mexico over trucks and tariffs on U.S. products

By **Kate Riley**
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Nothing good comes from neighbors feuding. Bound by proximity, they must find ways to work things out.

Nevertheless, Congress and President Obama did the rough equivalent of blocking the neighbor's driveway by ending a pilot project permitting Mexican trucks to bring cargo into the United States — a practice authorized in the North American Free Trade Agreement. Congress enacted and Obama signed in March a spending bill that stopped funding the experiment that, by many accounts, including a federal report, was successful.

Mexico retaliated with steep tariffs on more than 90 U.S. products, which is squeezing Washington potato and pear, apricot and cherry producers, among others.

The roiling trade dispute between Mexico and the United States is bad for business and counterproductive as the two countries attempt to improve border security and solve escalating violence related to drug cartels.

NAFTA called for Mexican and U.S. trucks to cross the border — an improvement to the costly three-step shipment of goods. But the Teamsters all along have raised objections to Mexican trucks coming into the U.S.

Now goods are taken to the border, another truck ferries them across the border, where they are loaded on the other country's trucks and distributed. A U.S. Chamber of Commerce briefing paper says the practice adds about \$400 million to U.S. consumers' cost of Mexican imports.

When the U.S. did not permit Mexican trucks to drive into the U.S., the southern neighbor filed a 1998 complaint under Chapter 20 of the NAFTA agreement. A dispute-settlement panel ruled the U.S. was in violation and Mexico had the right to retaliate.

Enter the pilot program, a compromise to demonstrate that Mexican trucks could meet U.S. safety and security standards — that is until Congress and Obama killed it.

March 19, Mexico imposed tariffs on certain U.S. imports valued at \$2.4 billion. The sanctions range from 10 percent to as high as 45 percent on some produce.

Especially concerned are Washington's potato growers, who in 2008 exported about \$40 million in processed potatoes to Mexico. But now they are watching their market share plummet as Mexican buyers shift their orders to Canadian processors unencumbered by the 20-percent tariff.

So far for both April and May, Washington's processed-potato exports are off \$4.6 million, reported Matt

Harris, Washington State Potato Commission trade director. That's already more than 10 percent of 2008 total exports to Mexico.

This hit comes during a tough year anyway because of the recession, but even if the U.S. and Mexico iron out their differences, the effects of the tariffs likely will be felt for years. Canadians will fight hard to keep their customers.

"It's very hard to rebuild that market after you've lost that dollar," Harris said.

Ask the cattle industry. Before Korea closed its market to U.S. beef after the mad-cow scare, Washington exported \$26.4 million a year in beef products to that market. Though the market has been reopened, Korea is buying only \$10.4 million worth of Washington beef.

Transportation Secretary Ray LaHood was expected to release a draft plan to resolve the trucking issue in July, said a spokeswoman for U.S. Sen. Maria Cantwell, but that has been put off until the end of August.

I hope it's not later than that. One Mexican official familiar with the two countries' discussions said Thursday that if progress isn't made in resolving the dispute by the end of summer, Mexico likely will impose tariffs on a second round of U.S. products.

Time to end this neighborhood dispute before it escalates further.

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