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FEATURED Q&A

Is the U.S.-Mexico Trucking Dispute Close to a Resolution?

Q U.S. Trade Representative Ron Kirk said Jan. 10 that a program to once again allow Mexican trucks access to U.S. highways could be "up and running" within four to six months. His statement came after the Obama administration released a proposal to reopen U.S. roads to Mexican truckers if they meet safety standards, background checks and other conditions. Is the cross-border trucking dispute close to a resolution? How important is a resolution to the countries' trade relationship? How would allowing Mexican trucks access to U.S. roads affect the trucking industries in Mexico and the United States?

A Andrés Rozental, member of the *Advisor* board, president of Rozental & Asociados in Mexico City and senior fellow at the Brookings Institution: "It has been a decade since a NAFTA dispute panel ruled that the United States violated its treaty obligations by refusing to allow Mexican trucking operators to service points beyond the border area between the two countries. After a successful pilot program instituted by the last Bush administration to prove to opponents in organized labor and Congress that Mexican trucks and drivers were as safe as the average American ones, the funding for the program was eliminated by Congress and the Mexican government was forced to adopt retaliatory tariff measures as permitted under NAFTA. Now the Obama administration has presented a new proposal to try to resolve the dispute and Mexico has indicated that it will study it to see whether it effectively complies with NAFTA provisions. The Teamsters union has again vociferously expressed its opposition to any solution that allows Mexican trucks into the United States beyond the border area and there is no assurance that congressional attitudes have appreciably changed. Nevertheless, the Mexican government has decided to 'carefully study the U.S. proposal and has reiterated its clear willingness to definitively resolve this dis-

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Clinton Urges Mexico to Continue Fight Against Cartels

After meeting with Mexican Foreign Minister Patricia Espinosa, U.S. Secretary of State Hillary Clinton urged Mexico's government Monday to continue its battle against drug cartels. See story on page 2.

Photo: Mexican Government.

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NEWS BRIEFS

Barr Advising Duvalier in Effort to Unlock Funds

Former U.S. Rep. Bob Barr is advising former Haitian dictator Jean-Claude Duvalier in an effort to unlock funds that were left in Swiss bank accounts after Duvalier fled Haiti to exile in France in 1986, Bloomberg News reported Monday. Duvalier wants to free the funds "not for himself, but so they can be used to help the situation in Haiti," Barr told Bloomberg. A new Swiss law taking effect Feb. 1 could allow authorities to return to Haiti as much as $7.3 million that had been frozen in Duvalier's accounts. Duvalier returned unexpectedly to Haiti on Jan. 16.

Brazil To Review $6 Billion Warship Purchase Plan

Brazilian President Dilma Rousseff will review the costs of a defense plan to purchase 11 warships at a cost of 10 billion reais ($6 billion), Reuters reported Monday, citing local newspaper *Folha de São Pāulo*. The warships would be used to patrol Brazil's offshore oil fields and potential suppliers may include Britain's **BAE**, France's **DCNS** and Germany's **Thyssenkrupp**. The report comes after Rousseff's surprise decision last week to re-evaluate a multibillion dollar air force contract that was widely expected to go to France's **Dassault**.

Minera IRL Buoyed By Strong Results From Corihuarmi Mine

Minera IRL announced Monday that strong earnings from its Corihuarmi gold project, located near Lima, have helped fund projects in Peru and Argentina, state news agency Andina reported Monday. The company's total gold production in 2010 was 32,533 ounces at a cost of $383 per ounce.

Political News

Clinton Urges Mexico to Keep Fighting 'Messy' Drug War

During a visit to the central Mexican city of Guanajuato, U.S. Secretary of State Hillary Clinton on Monday urged Mexico's government to continue fighting what she called its "messy" war against drug cartels, the Associated Press reported. "It is messy. It causes lots of terrible things to be on the news," Clinton said after a meeting with her counterpart, Mexican Foreign Minister Patricia Espinosa. Mexico has no alternative other than fighting drug traffickers head-on, said Clinton. "The drug traffickers are not going to give up without a terrible fight. And they do things that are just barbaric—like beheading people," she said. "It is meant to intimidate. It is meant to have the public say, 'Just leave them alone and they won't bother me.' But a president cannot do that." Clinton also said the administration of U.S. President Barack Obama will use new controls to stem the flow of weapons into Mexico as part of its efforts to help Mexico fight the cartels. The administration is committed to "doing what could be done" to require U.S. gun dealers near the Mexican border to report instances in which buyers purchase several high-powered rifles, the cartels' weapon of choice. The U.S. Bureau of Alcohol, Tobacco, Firearms and Explosives requested the requirement last month from the White House. It is expected to face significant opposition from gun rights groups. The United States will also continue providing assistance in policing and in helping to improve Mexico's judicial system. Already, Washington has provided Mexico hundreds of millions of dollars in support, including training and technology, and this year will provide the country an additional half-billion dollars worth of equipment and training. Since Mexican President Felipe Calderón launched his offensive against the cartels at the beginning of his term in late 2006, more than 34,600 people have been killed in drug-related violence in Mexico. Last year, the death toll soared 60 percent.

> "The drug traffickers are not going to give up without a terrible fight."
>
> *— Hillary Clinton*

Featured Q&A

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pute.' Mexico also stated that it will seek a permanent and satisfactory solution that provides certainty and the necessary conditions so Mexican truckers can participate competitively in the U.S. market, and in order to show its goodwill, unilaterally reduced the effects of some of the compensatory measures that were adopted in 2009. There is no guarantee that the new U.S. proposal will fare any better than the pilot program before it, but at least the Obama administration is trying to find ways to remove a major irritant in the bilateral trade relationship, mostly after strong pressure by U.S. producers of goods exported to Mexico pushing for a solution that would remove the punitive tariffs Mexico imposed."

Norita Taylor, spokeswoman at the Owner-Operator Independent Drivers Association: "It is interesting to point out that none of the proponents pushing to open the border to motor carriers from Mexico are people who actually drive a truck for a living. Truckers from the United States and Mexico do not support opening the border. They know that due to the numerous differences that exist between the regulatory environments in their respective countries, doing so would jeopardize their jobs or their businesses. Every year, U.S. truckers are burdened with new safety, security and environmental regulations that come with considerable compliance costs. Mexico-domiciled

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Economic News

Inflation, Peso Shortage Drive Up Argentine Credit Card Debt

Accelerating inflation and a shortage of pesos in Argentina is driving Argentines' credit card debt to record levels as consumers meet difficulties finding cash to purchase goods, Bloomberg News reported Monday. In December, Argentines charged 26 billion pesos ($6.6 billion) on credit cards, a 49 percent increase from the same month a year earlier, according to the central bank. Argentine credit cards carry an average interest rate of 30.5 percent, more than twice the average rate in the United States, which stands at 14 percent. Soaring consumer prices are pushing down the savings rate in Argentina, where borrowers are wary of banks in the wake of the government's $95 billion debt default a decade ago, Daniel Volberg, an economist at **Morgan Stanley** in New York, told Bloomberg News. The government said annual inflation totaled 10.9 percent last year, but private economists believe the actual rate of inflation is as high as 27 percent. "It makes sense to use credit cards because, first, you don't have the cash but, on top of that, real rates are so negative, and sometimes there are promotions where you pay for purchases over 12 months," Boris Segura, an economist at **Nomura Securities International** in New York, told the news service. "With inflation at 25 percent you're getting a nominal rate of zero. So you're paying minus 25 percent. That's why credit card use has come through the roof." Climbing prices for food and commodities, along with the U.S. Federal Reserve's printing of dollars to spur the U.S. economy are stoking inflation concerns around the world.

Private economists believe Argentina's annual rate of inflation is as high as 27 percent.

In Focus

Pentagon Officials: U.S. Must Work Closely With Latin Counterparts

By Rachel Sadon

WASHINGTON—The U.S. Department of Defense should seek to collaborate with its counterparts across the hemisphere in order to better respond to natural disasters and other shared security issues in an effort to practice "defense diplomacy," the Pentagon official responsible for Western Hemisphere security affairs said Monday.

Stockton

File Photo: U.S. Department of Defense.

Paul Stockton, the U.S. assistant secretary of defense for homeland defense and Americas' security affairs, addressed the challenges facing the region and stressed shared values and common interests as key components of directing the military's efforts in the hemisphere.

In an area of particular concern, Stockton emphasized that catastrophe in the region is "not a matter of if, but when" and said a primary goal is "learning from Haiti so we could do a better job the next time a natural disaster strikes."

Stockton's speech Monday at the Inter-American Dialogue came two months after the annual Conference of Defense Ministers of the Americas (CDMA) in Bolivia, where President Evo Morales delivered a harsh lecture to U.S. Defense Secretary Robert Gates.

The United States co-sponsored a proposal during the conference to develop a multinational, institutional framework for coordinating military institutions in support of civilian-led relief operations. Stockton detailed the plan, which is aimed at helping to solve logistical problems regarding emergency relief by creating mechanisms for consultation before and after disasters strike.

Collaboration was a main theme of the event, as both Stockton and Deputy Assistant Secretary of Defense for the Western Hemisphere Frank Mora addressed issues including nuclear proliferation and energy security with calls for dialogue and consultation among the region's powers.

While the two officials also stressed the policy of limiting law enforcement to civilian institutions, they addressed issues of militarization of security conflicts, particularly in areas marred by violence and narcotrafficking. "Because of the nature of the threat, the resources, the weapons … that these organizations have, governments in the region have decided that, at least in the short term, their military must have the resources to confront these challenges," said Mora, adding that the United States supports other governments' sovereign decisions and will back them. "But our long term mission is that this will transition to a law enforcement role once capabilities have reached the levels that allow the military to withdraw," he said.

When asked about U.S. President Barack Obama's decision last year to send 1,200 National Guard troops to the border with Mexico, Stockton reiterated previous administration statements that the mission is temporary.

"President Obama has made it clear that he has no intention of militarizing the U.S.-Mexico border. The provision of Department of Defense support at the request of the Department of Homeland Security was to provide support for one year so that Customs and Border Patrol could continue to add agents so they could be in the lead, as they need to be for securing the nations borders," said Stockton.

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Featured Q&A

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trucking companies simply do not contend with a similar regulatory regime in their home country nor must they contend with the corresponding costs that encumber their U.S. counterparts. The onus is still on the Mexican government to fulfill its NAFTA commitments by raising its safety, security and environmental regulatory standards up to those that already apply to U.S. and Canadian truckers. Entities lobbying U.S. officials to open the border fall into two categories. The first being multi-national corporations that have previously moved operations and jobs to Mexico to exploit a lower-cost labor source for distributing their Mexico-produced goods in the United States The second being farmers and other U.S. producers who have been unfairly targeted by Mexico's tariffs. We would recommend removing the trucking provisions within NAFTA to resolve the dispute."

> "Mexico-domiciled trucking companies simply do not contend with a similar regulatory regime in their home country ..."
>
> — ***Norita Taylor***

A Jason Hafemeister, member of the *Advisor* board and vice president of Allen F. Johnson & Associates: "Resolving the trucking dispute could be a game changer. Removing Mexico's tariffs will provide immediate relief for U.S. industries hit by Mexico's retaliation and removing U.S. restrictions on Mexican trucks will improve the ability of the United States and Mexico to resolve disputes in the future. Finally, resolution could foreshadow a new activist phase in the Obama administration's trade policy, including movement on stalled free-trade agreements and progress in other negotiations. Tariff relief will be particularly important for U.S. agriculture, a driving force behind the U.S. trade agenda. For example, U.S. pork exports to Mexico dropped by 11 percent after duties on pork were announced last August. This followed steady increases in U.S. exports to Mexico: since NAFTA, U.S. pork exports to Mexico had increased 580 percent and Mexico takes more pork than any other foreign market. Similarly, Mexico is the largest foreign market for U.S. dairy, but after duties were rotated onto some cheese products in August, U.S. exports of those products fell 66 percent. Resolution of this dispute speaks to the credibility of the United States as a trade partner. U.S. trade partners, like Mexico, will have ammunition to stand up to domestic interest groups seeking trade protection, pointing out how they have commitments that must be respected. Similarly, countries negotiating with the United States will be able to push back against groups resisting trade liberalization, pointing to the fact that all countries have to undertake politically painful reforms under trade negotiations. The stakes are high for a successful conclusion, and both Mexico and the U.S. Congress must be assuaged. Solving this seemingly intractable issue it inherited will be a big accomplishment for the Obama administration. Let's hope it pulls it off."

> "Resolution of this dispute speaks to the credibility of the United States as a trade partner."
>
> — ***Jason Hafemeister***

The Advisor *welcomes reactions to the Q&A above. Readers can write editor Gene Kuleta at gkuleta@thedialogue.org with comments.*

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