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Elimination of U.S. Pilot Truck Program Triggers Mexican Tariffs

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When President Obama and the Democrat-controlled Congress used the Fiscal Year 2009 "omnibus" spending bill to deliver on a campaign promise to Big Labor and kill a pilot program that permitted a handful of trucks from Mexico access to U.S. highways, they set in motion a head-on collision with one of America's closest trading partners, the ramifications of which will cause tremendous damage to the U.S. economy.

Protectionism under the Fig Leaf of Safety Concerns. Notwithstanding fierce opposition by the Teamsters and other U.S. organized labor groups, in 2007 the U.S. Department of Transportation (USDOT) approved a NAFTA-consistent "Cross Border Demonstration Project"[1] that gave "27 Mexican carriers with 107 trucks"[2] full access to the U.S. road network. Until then, USDOT regulations issued during the Clinton Administration to appease the Teamsters had required all Mexican trucks to unload their cargoes at warehouses close to the border, where they were re-loaded into U.S. trucks for onward shipment throughout the country. Mexico obtained a NAFTA ruling against those regulations in 2001 but withheld the imposition of retaliatory tariffs because of the pilot program.[3]

According to USDOT, the superfluous warehousing and loading/unloading added $400 million per year to the price of Mexican imports, which has been passed on to American consumers.[4] Under the USDOT pilot program, an equal number of American-owned trucks are also permitted to operate freely in Mexico,[5] thereby creating U.S. jobs and increasing the profits of both U.S. companies shipping products to Mexico and the American trucking companies hauling them there.

The Bush Administration extended the program twice, resisting efforts of pro-Teamster Members of Congress led by Senator Byron Dorgan (D–ND), a senior member of the powerful Senate Appropriations Committee, who inserted language into the Fiscal Year 2008 omnibus spending bill that would have killed the pilot project.[6] Although protectionist critics have alleged safety problems with Mexican trucks, the Federal Motor Carrier Safety Administration—the relevant oversight agency in the Department of Transportation—"recently issued a report showing there had been no accidents involving trucks participating in the program."[7] The Mexican trucks are constantly monitored while in the U.S. and must meet rigorous USDOT safety requirements.[8] In fact, "Mexican trucks in the program have a better safety record than their American counterparts."[9]

A Trade War with Mexico: Just What the U.S. Economy Does *Not* Need. Hidden among thousands of earmarks, Senator Dorgan again inserted a provision into the recently passed FY 2009 omnibus

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spending bill[10] (Div. I, Title I, Section 136) that defunded and killed the pilot project. President Obama, who had campaigned against earmarks and claimed to oppose protectionist measures such as this one, signed the bill behind closed doors on March 11.[11]

On March 18, the government of Mexico retaliated by slapping tariffs ranging from 10 to 45 percent[12] on 89 U.S. agricultural and industrial products—including "toilet paper, Christmas trees, fruit juices, pet food, shampoo, sunflower seeds, soy sauce, pencils, beer and deodorant" exported to Mexico from 40 states. Those exports bring in over $2.4 billion in annual sales for U.S. companies.[13] Mexican Economy Minister Gerardo Ruiz said, "We consider this action [canceling the pilot truck program] by the United States to be mistaken, protectionist and clearly in violation of [NAFTA]."[14]

In Oregon alone, the tariffs are expected to cost companies "tens of millions of dollars."[15] For example, "Bill Brewer, executive director of the Oregon Potato Commission, told The Oregonian newspaper that the United States could lose its entire $80 million in annual french-fry exports to Mexico because competitors in Canada won't have to pay $16 million in tariffs."[16] Ironically, one Member of Congress from Oregon (Representative Peter DeFazio) is one of the strongest opponents of the pilot truck program.[17]

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Restore Pilot Truck Program Funding. The U.S. and Mexican economies are deeply intertwined, and both face serious problems. Increasing efficiency in trade between the two countries will benefit both sides and strengthen Mexican President Felipe Calderon's pro-market, democratic policies. Improving the safety of both the U.S. and Mexican long-haul truck fleet will also contribute to improved national security in both countries.

Then-candidate Obama pledged to "upgrade" and "retool"[18] NAFTA, but his approval of the Congressional action to kill the pilot truck program was a direct attack on NAFTA.

In mid-April, en route to the Summit of the Americas in Trinidad, President Obama will make his first visit to Mexico and meet with President Calderon. In preparation for that meeting, Transportation Secretary Ray LaHood and others in his Administration should take immediate steps to restore funding to the pilot truck program and then expand it and make it permanent.

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