

December 19, 2008

Dear Member of Congress:

As Congress considers an omnibus package of fiscal 2009 spending bills, it is imperative nothing be done to halt or impede the U.S. Department of Transportation's Cross Border Trucking Pilot Program with Mexico. We urge Congress to permit the full implementation of the North American Free Trade Agreement (NAFTA) and oppose any efforts to restrict funding for the program. Disruption of the program will come at a considerable cost to U.S. workers, farmers, businesses and consumers. In light of the current recession, exports to Mexico provide a much needed boost to the bottom line of U.S. businesses.

Prior to implementation of the pilot program, the United States restricted Mexican trucks entering the United States. In 2001, a NAFTA dispute-settlement panel unanimously ruled that the blanket exclusion of Mexican trucking firms violated U.S. obligations under the NAFTA. The ruling gave Mexico the right to retaliate against U.S. products entering Mexico. It is estimated Mexican retaliation against U.S. products could be as much as \$2 billion per year. Fortunately, Mexico refrained from retaliation. However, if the pilot trucking program is blocked, we expect Mexico to exercise its right to retaliate. Retaliation of this magnitude could wipe out a broad swath of U.S. exports to Mexico and related U.S. jobs.

U.S. food and agriculture are particularly vulnerable to retaliation given the growth of U.S. farm exports to Mexico and repeated calls from Mexico's agriculture sector for restrictions on U.S. food products. Under NAFTA, U.S. food and agriculture exports have more than tripled, climbing from \$3.6 billion in 1993 to over \$12 billion in 2007. Mexico is the top export destination for beef, dairy, poultry, rice, soybean meal and oil, corn sweeteners, apples and dry edible bean exports. It is also a major market for pork, corn, soybeans, eggs, vegetable oils, cotton, fresh U.S. potatoes, snack foods and other consumer-oriented agricultural goods.

U.S. agriculture is not the only industry vulnerable to Mexican retaliation. Mexico is an important export market for many U.S. businesses and manufacturers. For example, Mexico is one of the largest export markets for consumer electronics (CE) products produced in the United States. The CE industry is poised to be negatively affected by any retaliation. Additionally, Mexico is by far the largest market for U.S.-made yarn and fabric (textiles). Almost \$3 billion worth of U.S. textiles were exported to Mexico in 2007. Textile exports could be jeopardized by the Mexican retaliation as well as by lack of cross border trucking.

Based on a draft retaliation list obtained in Mexico from a reliable and confidential source, economist Dermot Hayes of Iowa State University has analyzed the potential impact of Mexican retaliation on the U.S. economy. Hayes found that up to 40,909 U.S. jobs in seventeen states could be lost as a result of the failure of the United States to honor its commitments on trucking.

Highway safety has been the main argument against cross border trucking with Mexico. On October 31, an Independent Evaluation Panel released a comprehensive evaluation of the cross border trucking program. The panel reported the level of participation was much lower than expected, only 25 Mexican-domiciled carriers participated in the project, and of the 7,000 driver safety inspections, only 37, or less than 1 percent, resulted in out-of-service (OOS) violations. Demonstration trucks reported no crashes. In addition, of the 1,400 vehicle safety inspections,

only 8.7 percent resulted in OOS violations—far less than the U.S.-domiciled carriers that have a 23 percent OOS rate on vehicle safety inspections.

We urge you to oppose all efforts to prevent the implementation of the Cross Border Trucking Pilot Program. We are extremely concerned that further actions to restrict the Mexican trucking obligations under NAFTA will lead to Mexico's retaliation against U.S. exporters and workers.

Sincerely,

American Apparel & Footwear Association (AAFA)
American Bakers Association
American Cotton Shippers Association
American Farm Bureau Federation
American Feed Industry Association
American Frozen Food Institute
American Meat Institute
American Seed Trade Association
American Soybean Association
American Trucking Associations
Association of Equipment Manufacturers
Business Roundtable
Cargill, Incorporated
Caterpillar
Cessna Aircraft Company
Chicago Sweeteners, Inc.
Coalition of Service Industries
Commodity Markets Council
ConAgra Foods, Inc.
Consumer Electronics Association
Corn Refiners Association
Distilled Spirits Council of the United States
Eastman Kodak Company
Emergency Committee for American Trade (ECAT)
Grocery Manufacturers Association
Hormel Foods Corporation
International Dairy Foods Association
International Textile Group
Mars Incorporated
National Association of Manufacturers (NAM)
National Association of Wheat Growers
National Chicken Council
National Cotton Council
National Council of Farmer Cooperatives
National Foreign Trade Council
National Grain and Feed Association
National Milk Producers Federation
National Oilseed Processors Association
National Pork Producers Council

National Potato Council
National Turkey Federation
Nestle Purina PetCare Company
Nestle USA
North American Equipment Dealers Association
North American Export Grain Association
North American Millers' Association
Northwest Fruit Exporters
Northwest Horticultural Council
Pet Food Institute
Phillip Jennings Turf Farms, LLC
Smithfield Foods
Sweetener Users Association
The Fertilizer Institute
Travel Goods Association (TGA)
Tyson Foods, Inc.
U.S. Apple Association
U.S. Chamber of Commerce
U.S. Dairy Export Council
U.S. Meat Export Federation
U.S. Wheat Associates
United Egg Association
United Egg Producers
United States - Mexico Chamber of Commerce
United States Association of Importers of Textiles and Apparel
United States Dry Bean Council
US Hides, Skins and Leather Association
USA Poultry & Egg Export Council
USA Rice Federation
Washington Apple Commission