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Mexico

Solid Wood Products

Mexico Initiates a Global Safeguard Investigation

Against Plywood Imports

2002

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Report Highlights:

The Mexican government announced the initiation of a global safeguard investigation against all plywood imports; this is in response to a petition filed by the Mexican National Association of Plywood (ANAFATA).

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Mexico [MX1], MX

Introduction: This report summarizes an announcement published in Mexico's "*Diario Oficial*" (Federal Register) on August 15, 2002.

Disclaimer: This summary is based on a *cursory* review of the subject announcement and therefore should not, under any circumstances, be viewed as a definitive reading of the regulation in question, or of its implications for U.S. agricultural export trade interests. In the event of a discrepancy or discrepancies between this summary and the complete regulation or announcement as published in Spanish, the latter shall prevail.

FAS/Mexico's Executive Summary: The Secretariat of Economy (SE) announced on August 15, 2002, in Mexico's "*Diario Oficial*" ("Federal Register"), the initiation of an official global safeguard investigation against all plywood imports. The investigation is in response to a petition submitted by the Mexico's National Association of Plywood Producers (ANAFATA). The official announcement did not include the immediate imposition of countervailing duties. At issue is U.S. production for plywood (see the list below). Exporters, importers and other interested parties have thirty (30) working days from the publication date of this official announcement, to respond to questionnaires from SE. The period of investigation is from January 1 - December 31, 2000.

Title: Resolution to accept the petition on behalf of the interested party and declare the initiation of a safeguard investigation on imports of plywood, merchandise classified in tariff codes 4412.13.01; 4412.13.99; 4412.14.99; 4412.19.01; 4412.19.99; 4412.22.01; 4412.23.99; 4412.29.99; 4412.92.01; 4412.93.99 and 4412.99.99 of the General Import and Export Tax Law.

Type of Resolution: Initial investigation on safeguard claims.

Important Dates

1. Publication Date: August 15, 2002

2. Effective Date: August 16, 2002

3. Start of Public Comment Period: Initial SE questionnaires must be submitted with 30 working days from publication date of this official announcement (September 26, 2002).

4. End of Public Comment Period: Final statements must be submitted by 2 p.m., July 16, 2003.

Agency in Charge: The Secretariat of Economy (SE), International Commercial Practices Unit

Products Affected: Following is a table including the tariff codes and the description of the products affected.

HTS	Description
4412.13	-- With at least one outer ply of tropical wood specified in subheading note 1 to this chapter.
4412.13.01	With at least one outer ply of the following tropical woods: Dark Red Meranti, Light Red Meranti, White Lauan, Sipo, Limba, Okume, Obeche, Acajou d'Afrique, Sapelli, Mahogany, Standing Palisander), River Palisander and Rose Palisander.
4412.13.99	Other.
4412.14	-- Other, with at least one outer ply of non-coniferous wood.
4412.14.99	Other, with at least one outer ply of non-coniferous wood.
4412.19	-- Other, with both outer plies of coniferous wood.
4412.19.01	With at least one plywood of coniferous wood
4412.19.99	Other.
	- Other, with at least one outer ply of non-coniferous wood:
4412.22	-- With at least one ply of tropical wood specified in subheading note 1 to this chapter.
4412.22.01	With at least one ply of tropical wood specified in subheading note 1 to this chapter.
4412.23	-- Other, containing at least one layer of particle board.
4412.23.99	Other, containing at least one layer of particle board.
4412.29	-- Other.
4412.29.99	Other.
	- Other:
4412.92	-- With at least one ply of tropical wood specified in subheading note 1 to this chapter.
4412.92.01	With at least one ply of tropical wood specified in subheading note 1 to this chapter.
4412.93	-- Other, containing at least one layer of particle board.
4412.93.99	Other, containing at least one layer of particle board.
4412.99	-- Other.
4412.99.99	Other.

Summary of the Resolution's Important Provisions

Point 83 of this announcement indicates that there has been an evident substitution between imported U.S. plywood and Mexican plywood. Also, Point 125 indicates that plywood imports originating from the United States represented 45.9 percent of the total imports during the period of investigation (January 1 to December 31, 2000). Moreover, the United States was the main exporting country to Mexico. Although U.S. imports decreased 18.3 percent from 1998 to 1999, they increased 46.7 percent from 1999 to 2000. Therefore, in accordance with NAFTA rules, SE determined that imports originating from the United States represented a substantial share of total Mexican plywood imports. In addition, the growth rate of U.S. plywood imports during the investigation period was considered significant enough to be considered serious damage. As a result, SE determined that U.S. imports could have contributed to serious damage to the Mexican plywood industry and that the United States will be considered as one of the parties against which the safeguard investigation will be directed.

In Point 135 of this announcement, ANAFATA also claims that the United States of America, Chile and Malaysia have been implementing market promotion programs in Mexico for several years, which are subsidized by the governments and national forest and/or wood associations in those countries. In particular, the announcement cited the marketing programs of the American Forest & Paper Association, which has been working in Mexico since 1993, and the Engineered Wood Association (before the American Plywood Association), which has been working since 1994. It is estimated that the U.S. government funds given to the different forest product associations to operate in Mexico is approximately USD\$500,000 per year. Also, Market Research Report IS960925.433, entitled "Mexico-Wood Panels-Softwood/Hardwood/Plywood" outlines the commercial strategy of the U.S. industry to increase its plywood exports to Mexico. Lastly, on July 4, 2003, SE will hold a hearing at its Unit of International Commercial Practices office in accordance with the article 81 of the Foreign Trade Law. Final comments must be submitted by 2 p.m. on July 16, 2003. A final decision will be forthcoming shortly thereafter.

FAS Trade Concerns: ANAFATA has been concerned for many years about the unfair competition of tropical plywood from Indonesia and Malaysia and softwood plywood from Chile. Given this history, this announcement is considered to be coincidental to the approach of 2003, the next phase of NAFTA in which tariffs on almost all agricultural commodities will be eliminated. It is unclear to what extent this safeguard action will be directed at U.S. plywood as, historically, U.S. softwood plywood imports have not been a source of complaint for ANAFATA and because the niche market they occupy does not compete directly with Mexican plywood products. Nonetheless, U.S. plywood imports represent 50 percent of all Mexican plywood imports and have increased significantly in the past two years, which is why they are specifically mentioned in this announcement and which may be the reason why they are now being singled out for safeguard action. The remaining 50 percent of imports is mostly comprised of imports from Chile, Malaysia, and Indonesia – the other three countries which stand to be adversely impacted by a safeguard action. The announcement specifically mentioned that plywood imports from Canada and Ecuador, which, in percentage terms, constitute less than one percent of total imports, would be considered in the investigation but are not being viewed as having contributed significantly to the damage suffered by the Mexican plywood industry.

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FAS Mexico Web Site: We are available at <http://www.atomexico.gob.mx> or visit our headquarter's home page at <http://www.fas.usda.gov> for a complete selection of FAS' worldwide agricultural reporting.

Useful Mexican Web Sites: Mexico's equivalent of the Department of Agriculture (SAGARPA) can be found at www.sagar.gob.mx and Mexico's equivalent of the Department of Commerce (SE) can be found at www.se.gob.mx. These web sites are mentioned for the readers' convenience but USDA does NOT in any way endorse, guarantee the accuracy of, or necessarily concur with the information contained on the mentioned sites.