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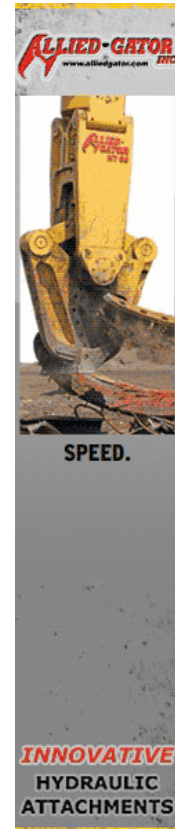


Features - International Recycling News
BORDER ISSUES

9/26/2010

Scrap trading continues across the U.S.-Mexico border despite diplomatic and safety issues.

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Scrap com... h before and after the North American Free Trade Agreement (NAFTA) went into effect on Jan. 1, 1994.

Despite their long-time status as NAFTA partners, however, trade disputes can still arise between the governments of the United States and Mexico.

One ongoing source of tension has involved the ability of Mexican-owned trucks to operate within the United States—something about which the two countries have sparred throughout the NAFTA era. The non-resolution of this issue has recently led to punitive tariffs being enacted by Mexico on several (predominantly agricultural) commodities.

Combined with concerns for the personal safety of truck drivers in areas of northern Mexico plagued by drug cartel violence, buyers and sellers of scrap materials have several considerations to weigh when engaging in cross-border scrap trading.

ACTIVE CORRIDOR

ONLINE POLL

Where do you see markets for

recyclables over the next six months?

Markets up modestly. (14 votes)
21.9% ■■■■

Markets will be up sharply by the end of this year. (9 votes)
14.1% ■■■

Markets down modestly by the end of this year. (10 votes)
15.6% ■■■■

Markets down significantly by the end of this year. (5 votes)
7.8% ■■

Markets will be flat for the rest of the year. (8 votes)
12.5% ■■■

If I knew that I would go to Las Vegas. (16 votes)
25.0% ■■■■

No idea. (2 votes)
3.1% ■

Trade between the United States and Mexico has long been a part of commercial life in the border states of both nations (Arizona, California, New Mexico and Texas in the United States; Baja California Norte, Chihuahua, Coahuila, Nuevo Leon, Sonora and Tamaulipas in Mexico).

In 2009, more than 400,000 metric tons of ferrous scrap was shipped from the United States to Mexico through the Laredo Customs District, which covers much of southern Texas. That represented nearly two-thirds of the more than 650,000 metric tons of ferrous scrap sent from the United States to Mexico.

By volume, Mexico buys scrap paper in even greater amounts, having purchased about 1.4 million metric tons in 2008 and closer to 1.2 million metric tons in 2009. In 2009, according to a report at www.forestweb.com that analyzes U.S. Department of Commerce figures, the United States shipped nearly 350,000 metric tons of OCC (old corrugated containers) to Mexico and more than 120,000 metric tons of mixed paper.

In the nonferrous sector, Mexico trails only three East Asian countries as an importer of aluminum scrap purchased from the United States. The 17,400 metric tons of aluminum scrap shipped to Mexico from the United States in 2009 ranked only behind the totals sent to China, Taiwan and South Korea and was a greater amount than the United States shipped to its other NAFTA partner, Canada.

East Asia predominates as the destination for copper scrap exported from the United States, with Mexico ranking as the seventh largest importer of copper-bearing scrap from the United States in 2009. Its purchase of nearly 1,580 metric tons of copper scrap placed it behind only East Asia's China, Hong Kong, Taiwan and South Korea, as well as Canada and Belgium, as a leading destination.

A POTHOLE IN THE ROAD

The level of scrap trading activity between the United States and Mexico is most likely viewed as a favorable sign by free trade advocates on both sides of the border, but potential road hazards are in view.

Although it has been more than 15 years since the NAFTA agreement took effect, an ongoing dispute has lingered regarding the ability of trucks and drivers registered in Mexico to operate in the United States.

The Cato Institute, an organization that largely favors free trade, in its description of the situation says, "Mexican trucks were to have been able to compete in U.S. border states by 1995, and throughout the United States by 2000. But President Clinton, at the behest of the Teamsters union, suspended implementation of the trucking provision on the grounds that Mexican trucks weren't safe enough for U.S. highways."

In 1998, the Mexican government filed a complaint via a NAFTA dispute settlement process, and, according to the Cato Institute, "in 2001, [Mexico] prevailed with a unanimous panel decision that found the United States in violation of the agreement and ruled that Mexican trucks meeting U.S. safety standards had to be given access to the U.S. market."

Counter-appeals and lawsuits followed and, according to the Cato Institute, "in 2004, the U.S. Supreme Court unanimously struck down the truck ban, and soon after a government pilot program was developed to allow a limited number of Mexican trucks to serve the U.S. market. But funding for the pilot program was cut off by [Congress] in 2008, which effectively put the U.S. market off limits to Mexican trucks once again—and the United States squarely in violation of its NAFTA obligations."

In 2009, the Mexican government began imposing retaliatory duties on select U.S. products. That list has been adjusted, most recently in August of 2010 with the addition of more agricultural products.

The International Brotherhood of Teamsters remains opposed to the admission of trucks. Its president, Jim Hoffa, is quoted in a news release on the union's website as stating, "Instead of slapping additional tariffs on U.S. goods, Mexico should be living up to its end of the bargain by making sure its drivers and trucks are safe enough to use our highways."

Mexico also has been in the news for the violent conflict between drug cartels (and between the cartels and law enforcement) that has flared for the past four years.

VIOLENT TIMES

A late July 2010 news item from Reuters reports that "More than 26,000 people have died [violently in Mexico] since late 2006, when Mexican President Felipe Calderon launched a crackdown on cartels smuggling drugs into the [United States]."

Many of the industrial regions in northern Mexico are in or near epicenters of this violent conflict.

United States Ambassador to Mexico Carlos Pascual is quoted in a United Kingdom Press Association article as saying, "Cartel-driven violence has moved southward to Mexico's business capital, Monterrey, forming a 'northeastern triangle' of violence among Matamoros, Nuevo Laredo and Monterrey." He adds, "The security environment in Monterrey has turned, in just months, from seeming benevolence to extreme violence."

An event in mid-August helped underscore that assessment, when the mayor of a city near Monterrey was kidnapped and eventually killed by his captors.

A U.S. Department of State travel warning issued in mid-July 2010 notes, "Millions of U.S. citizens safely visit

Mexico each year. This includes tens of thousands who cross the border every day for study, tourism or business."

The travel warning notes that sport utility vehicles and pickup trucks are the types of vehicles most commonly targeted for theft or hijacking, as opposed to larger delivery or freight vehicles. Larger trucks are sometimes stolen, however, to be deployed at unauthorized roadblocks set up not by police but by what the State Department calls drug-trafficking organizations (DTOs).

"In recent months, DTOs have used stolen trucks to block major highways, most notably in the area around Monterrey," says the State Department. "Also in Monterrey, DTOs have kidnapped guests out of reputable hotels in the downtown area."

The travel warning also mentions certain highways that have been prone to violence. "Travelers should defer unnecessary travel on Mexican Highway 2 between Reynosa and Nuevo Laredo due to the ongoing violent competition between DTOs in that area."

Unfortunately, some of the regions through which scrap materials flow most commonly are areas singled out by the State Department warning. "More than half of all Americans killed in Mexico in fiscal year 2009 whose deaths were reported to the U.S. Embassy were killed in the border cities of Ciudad Juarez and Tijuana." Other cities in which what the State Department calls "large firefights" have broken out include Reynosa, Matamoros, Nogales and Nuevo Laredo, according to the travel warning.

Some rail shipping companies, while not blatantly playing up the potential for violence, have noted a comparative lack of employee exposure to danger when materials are shipped by rail instead of by truck.

In a March 2010 news release promoting its service to Mexico, Canadian National Railway Co. (CN) touts not only aspects such as "fast border clearance" and "hassle-free customs," but also "no security escort needed."

For the time being, as Mexico's law enforcement agencies strive to clamp down on the seemingly well-armed DTOs, recyclers and consumers operating in northern Mexico will have this extra safety factor to consider. The author is editor-in-chief of Recycling Today and can be contacted at btaylor@gie.net.

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