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TO MCFARLANE FROM BROCK, W

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TRADE POLICY COMMITTEE

OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE
EXECUTIVE OFFICE OF THE PRESIDENT

WASHINGTON, D.C. 20506

May 3, 1984

MEMORANDUM FOR MEMBERS OF THE TRADE POLICY COMMITTEE

FROM: WILLIAM E. BROCK

SUBJECT: Status of U.S.-Mexico Subsidies Agreement

Introduction

Since 1982, the United States and Mexico have held discussions and negotiations regarding the conclusion of a subsidies agreement. Such an accord would impose strong discipline on Mexico's use of export subsidies in return for the injury test in U.S. countervailing duty (CVD) investigations. More recently, representatives of U.S. industry and government have held intensive but unsatisfactory consultations with Mexican officials on the newly-issued pharmaceutical decree. The publication of that decree, which imposes stringent trade and investment restrictions in the pharmaceutical sector, seriously jeopardizes prospects for Congressional and private sector approval of the subsidies accord. It is my judgement that no final acceptance of a subsidies agreement will be possible until we see an amelioration of the decree's effects. My staff has already informed officials of the Mexican Government of this judgement.

Subsidies Negotiations

During the last three months, there has been progress in the discussions with officials of the Mexican Commerce and Foreign Ministries. A few significant issues remain to be resolved, however. We have not reached agreement on the definition of short-term pre-export and export financing; once we have agreement on that, Mexico will probably seek our approval for a phase-out schedule for such export subsidies. We must also reach a common interpretation of the provisions dealing with preferential pricing for energy and basic petrochemical products.

The current draft agreement contains commitments from Mexico in a number of other areas, including:

- a prohibition of all other export subsidies;
- OECD-level discipline on medium- and long-term export financing;

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BY LM NARA DATE 4/22/25

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- Subsidy Code-type coverage of domestic subsidies;
- a prohibition on Mexico's now-suspended principal export subsidy (the CEDI);
- CVD procedures;
- provision of the injury test for Mexico conditioned upon its continued compliance with the agreed discipline on export subsidies;
- a strict non-circumvention clause; and
- a 60-day termination requirement following impairment

Mexico appears anxious to conclude an agreement. Mexican producers and public officials view the lack of an injury test in U.S. CVD investigations as a major stumbling block to increasing exports to the United States. The Secretary of Commerce and Industrial Promotion, in particular, would like to see an agreement completed before the Washington visit of Mexican President de la Madrid on May 15. This is practically and legally impossible because of our statutory obligations for prior consultations with Congressional and private sector advisors; however, we can continue to negotiate in good faith and without contrived delays.

The conclusion of a subsidies agreement with Mexico could be useful in removing a major irritant in our bilateral relations. In addition, if sufficiently tough, an accord would impose real discipline on Mexican actions and reduce unfair trade pressure on U.S. import-impacted industries. Nevertheless, it will be difficult to obtain U.S. domestic support, in both the Congress and private sector, for any subsidies agreement with Mexico. Certain Members of Congress disapprove in principle of any accord outside of the Subsidies Code. They view Mexico, a non-GATT member, as a renegade that should not be rewarded with special bilateral deals. Moreover, U.S. industries alleging subsidization by Mexico oppose the imposition of an injury test before countervailing action can be taken. The petrochemical industry will likely object to any agreement that does not resolve its concerns, since it would like to see an agreement that eliminates advantages that Mexican exporters enjoy by virtue of lower prices there for petrochemical inputs. Mexico's recently-imposed restrictions on trade and investment in pharmaceuticals will also increase private sector and Congressional opposition to any bilateral deals with that country, including a subsidies accord.

Pharmaceutical Decree

In mid-March, Mexico put into force its pharmaceutical decree, which, in theory, is designed to improve the overall quality of

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the health care system in Mexico, as well as promote the development of a national industry. The decree negatively affects U.S. and other foreign firms in two general ways: (a) it contains provisions which directly discriminate against foreign investors in favor of national investors and (b) it effectively puts a commercial squeeze on foreign pharmaceutical manufacturers through a variety of non-discriminatory provisions such as stringent price controls, prohibitions on imports, etc., while simultaneously promoting the welfare of national producers through incentive programs. In addition to the negative impact of the new decree, foreign pharmaceutical firms selling in Mexico (whether through exports or direct investment) continue to be faced with an old problem, the complete absence of patent protection in Mexico.

Over the course of the past two months, USTR and Commerce have made a series of strong representations to the Government of Mexico on this issue, including a joint Brock/Baldrige letter to Secretary of Commerce Hernandez. Separately, Mexican officials have also met several times with the U.S. industry. None of these consultations has achieved any concrete progress, however, (although the Government of Mexico has responded with their standard pledge to administer the law flexibly). Consequently, many of the foreign firms have filed "amparo" actions (similar to an injunction in the U.S.), which, in certain situations, can be used to test the validity of the Government of Mexico's actions under Mexican law. No one knows how long this procedure will take to work its way through the courts, but we should not expect results in the near future.

Next Steps

In the interim, to keep the process moving, this week I will circulate the latest U.S. draft (attached) to members of the Finance and Ways and Means Committees and to our private sector advisors. Notwithstanding the outcome of pharmaceutical discussions, however, we will be unable to complete the subsidies agreement with Mexico before the presidential visit. We require more than the time that remains before that event to (1) resolve the remaining substantive differences, and (2) obtain Congressional and private sector feedback, as required by law.

With respect to pharmaceuticals, the Mexicans' pledge at the April 17 U.S.-Mexico Binational Commission meeting may present a possibility for achieving some improvements in the short term.

Commerce Under Secretary Bravo indicated that in response to U.S. concerns, the Mexicans would make changes (1) to ensure that foreign firms were accorded national treatment in the pharmaceutical sector and (2) to take care of the United States'

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patent problems. We are, therefore, preparing a paper for the Mexicans outlining the discriminatory aspects of the decree and the elements necessary for adequate patent protection. The effect of linking the subsidy and investment issues emphasizes the seriousness of our concerns and should impress upon the Mexicans the need for immediate action. The ball will be squarely in their court.

Attachment

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BY WM NARA DATE 4/22/25

DRAFT U.S.-MEXICO SUBSIDIES UNDERSTANDING

The Government of the United Mexican States and the Government of the United States of America agree to establish through the present Understanding a mutually acceptable bilateral framework concerning the treatment of subsidies and countervailing duties. For purposes of this Understanding the United States of America recognizes that Mexico is a developing country and that subsidies are an integral part of economic development programs of developing countries. Accordingly, this Understanding shall not prevent the Government of the United Mexican States from adopting measures and policies to assist their industries, including those in the export sector. The Parties agree that, as a developing country, the Government of the United Mexican States should endeavor to reduce or eliminate export subsidies when the use of such export subsidies is inconsistent with its competitive and development needs. To that end, and for other purposes, the Government of the United Mexican States and the Government of the United States of America agree as follows:

1. GENERAL PROVISIONS

The United States affirms that it is a member of the General Agreement on Tariffs and Trade, the Agreement on Interpretation and Application of Article VI, XVI and XXIII of the General Agreement on Tariffs and Trade, and the Arrangement on Guidelines for Officially Supported Export Credits of the Organization of Economic Cooperation and Development, and that as such has

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accepted multilateral obligations on subsidies and countervailing duties. United States' law implemented those obligations for its countervailing duty law on a most-favored-nation basis with two exceptions which apply to Mexico. By virtue of this Understanding, Mexico will no longer be subject to those exceptions.

The Government of the United Mexican States also recognizes that subsidies may cause adverse effects to the economic interests of the United States of America and agrees to seek to avoid causing, through the use of any subsidies, injury to the domestic industry, or serious prejudice to the economic interests of the United States of America.

2. EXPORT SUBSIDIES

The Government of the United Mexican States agrees that export subsidies on its products shall not be used in a manner which causes serious prejudice to the trade or production of the United States of America and agrees as follows:

A. CEDI

The Government of the United Mexican States will not grant the export-subsidy elements of the program of Certificados de Devolucion de Impuestos (CEDI) to any products, and will not, as provided for in paragraph 5 below, reintroduce such elements replacing the CEDI program with one that is similar or reinstitute

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them through the issuance of CEDI certificates in a modified form.

Note to accompany text: The term export subsidy elements is intended only to allow the continuation of the non-excessive remission or drawback of import charges. The Parties recognize that the remission or drawback of import charges in excess of those levied on imported goods that are physically incorporated (making normal allowance for waste) in the exported product; provided, however, that in particular cases a firm may use a quantity of home market goods equal to, and having the same quality and characteristics as, the imported goods as a substitute for them in order to benefit from this provision if the import and the corresponding export operations both occur within a reasonable time period, normally not to exceed two years, is an export subsidy.

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B. PREFERENTIAL PRICING

The Government of the United Mexican States agrees not to establish or maintain any pricing practice concerning energy or basic petrochemical products, including the program of Preferential Prices for Basic Petrochemical Products, that is an export subsidy or that has the purpose or effect of promoting exports. To that end, should any outstanding preferential prices granted prior to November 30, 1982 be maintained until their expiration, it will be done without any export requirements.

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C. PREFERENTIAL PRE-EXPORT AND EXPORT FINANCING

The Government of the United Mexican States agrees, with respect to pre-export and export financing with a maturity of two years or less, not to provide export subsidies through preferential pre-export and export financing programs. An export subsidy subject to this provision includes the grant by the Government of the United Mexican States (or special institutions controlled by and/or acting under the authority of the Government of the United Mexican States) of pre-export or export financing at rates below those which they actually have to pay for the funds so employed (or would have to pay if they borrowed on international capital markets in order to obtain funds of the same maturity and denomination in the same currency as the pre-export or export financing), or payment by them of all or part of the costs incurred by exporters or financial institutions in obtaining pre-export or export financing.

The Government of the United Mexican States agrees, with respect to pre-export and export financing with a maturity of over two years, to apply at all times the interest rates provisions provided for under the arrangement on guidelines for officially supported export credits of the Organization of Economic Cooperation and Development (OECD). The United States of America agrees that such practices for pre-export and export financing of a maturity of over two years made in conformity with the OECD guidelines shall not be considered an export subsidy prohibited by this Understanding.

Note to accompany paragraph 2.c: With respect to pre-export and export financing with a maturity of two years or less, the first sentence of paragraph 2.c prohibits the use of export subsidies through the use of preferential pre-export and export financing. The second sentence provides an illustration of an export subsidy, but is not all inclusive. The provision of pre-export or export financing with a maturity of two years or less to one producer at a rate lower than that available for sales in the domestic market would also constitute an export subsidy. Furthermore, the terms "actually have to pay" or "would have to pay" refer to cost of borrowed funds, not funds otherwise available.

3. SUBSIDIES OTHER THAN EXPORT SUBSIDIES

The Government of the United Mexican states agrees that, for the duration of this Understanding, no element of Mexico's development program (nor any other existing or new program not referred to in this Understanding) will provide export subsidies. The Government of the United States of America recognizes that subsidies other than export subsidies are widely used as important instruments for the promotion of social and economic policy objectives and does not intend to restrict the right of the Government of the United Mexican States to use such subsidies to achieve these and other policy objectives which it considers desirable. The Government of the United Mexican States also recognizes that subsidies other than export subsidies may cause or threaten to cause injury to a domestic industry of, or serious prejudice to the economic interests of, the United States of America, in particular where such subsidies would adversely affect the conditions of normal competition. The Government of the United Mexican States shall therefore seek to avoid causing such effects through the use of subsidies.

In particular the Government of the United Mexican States when drawing up its policies and practices in this field, in addition to evaluating the essential internal objective to be achieved, shall also weigh, as far as practicable, taking into account of the nature of the particular case, possible adverse effects on trade. It shall also consider the conditions of world trade,

production (e.g. price, capacity utilization etc.) and supply in the product concerned.

The Government of the United States of America notes that as of the date of the signing of this Understanding it has not found any elements of Mexico's development program, other than those referred to within this Understanding, to be export subsidies.

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4. STANDSTILL

During the term of this Understanding, the Government of the United Mexican States will not maintain any program, nor institute any new program, that is an export subsidy.

The Government of the United Mexican States understands that if it reintroduces the export subsidy elements of the CEDI program, or otherwise takes action inconsistent with Paragraphs 2 or 4, of this Understanding, effective 60 days following any such action. Paragraph 5 of this Understanding shall no longer apply as between the United States of America and the United Mexican States, and no determination of material injury shall be otherwise required in any pending or future United States countervailing duty investigation on merchandise from Mexico. During such 60 day period consultations under paragraph 11 will be utilized if requested by either party and the provisions of this paragraph will apply unless the Parties agree during those consultations that no such inconsistent action has been made consistent with the relevant provisions of the Understanding.

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5. INJURY TEST

For purposes of the application of countervailing measures, there shall be no presumption that incentives granted by the Government of the United Mexican States result in adverse effects to the trade or production of the United States. Such adverse effects shall be demonstrated by positive evidence, through formal investigation procedures prescribed by applicable U.S. domestic law for determining the economic impact of Mexican imports upon an industry in the United States. With respect to all United States countervailing duty investigations in progress concerning products of Mexico as of the date of entry into force of this Understanding, the United States shall ensure that no countervailing duties shall be imposed upon any product of Mexico unless it is determined that the subsidized imports are, through the effects of the subsidy, causing or threatening to cause material injury to an established domestic industry, or retard materially the establishment of a domestic industry.

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6. DOMESTIC PROCEDURES AND LAW

No provision of this Understanding shall be construed to prevent the United States from imposing countervailing duties pursuant to its national law on products of Mexico receiving subsidies of any kind, export or otherwise.

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7. SUSPENSION OF CVD CASES

Subject to and in accordance with applicable U.S. national law, before a final determination of a subsidy is made, a countervailing duty proceeding may be suspended without the imposition of countervailing duties upon acceptance of mutually acceptable undertakings, following consultations where requested.

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8. IMPOSITION OF COUNTERVAILING DUTIES

Regarding the procedures utilized for the imposition of counter-
vailing duties, the Government of the United States of America
agrees to provide to products of the United Mexican States treat-
ment no less favorable than that accorded to the products of
other countries. The Government of the United Mexican States
agrees that, should it utilize proceedings on subsidized products
of the United States the procedures will provide treatment no
less favorable than that provided by the Government of the United
Mexican States to products of other countries and in conformity
with generally accepted international practices applied by devel-
oping countries.

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9. NULLIFICATION

Neither party to this Understanding shall directly or indirectly take any action which nullifies or impairs the benefits accruing to the other party under this Understanding.

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10. NOTIFICATION/CONSULTATION

Either party may make a written request for information on the nature and extent of any subsidy granted or maintained by the other party. The party from which such information is requested shall provide it comprehensively and as promptly as possible and shall be prepared upon request to provide any additional relevant information.

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11. DISPUTE SETTLEMENT

In the event of a dispute between the parties concerning the operation of this Understanding, either party may request consultations with the other party. If the parties are unable to achieve a mutually acceptable solution within 30 days of the request for consultations then either party may, after delivering a written notification to the other party of intent to take action 30 days in advance, restore the balance of obligations as it deems necessary including the termination of the present Understanding.

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12. DURATION AND TERMINATION

This Understanding shall remain in force for a period of 3 years - from the date that it has been signed by both governments.

Either one of the governments may terminate this Understanding by a written notification to the other party 60 days in advance of the date it intends to do so.

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13. The Parties agree to consult during the period of effectiveness of this Understanding with a view toward reaching a more comprehensive means to address the subject matter of the present Understanding.

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14. On the basis of this Understanding, Mexico shall be designated as a "country under the Agreement" as provided by section 701 of the Trade Agreements Act of 1979 effective on the date of publication of such designation in the Federal Register.

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OFFICE OF THE UNITED STATES
TRADE REPRESENTATIVE
EXECUTIVE OFFICE OF THE PRESIDENT
WASHINGTON
20506

June 19, 1984

MEMORANDUM TO: SEE DISTRIBUTION
FROM: Marian Barell *MB*
SUBJECT: U.S.-Mexican Subsidies Negotiations

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Attached for your information is the latest version (dated May 14) of the U.S.-Mexico Subsidies Understanding. The only major change from the earlier draft circulated to the TPC by Ambassador Brock is the note accompanying paragraph 2B.

In response to our request for private sector advice, we have received both positive and negative comments. We are analyzing those views to determine next steps.

Attachment

DISTRIBUTION

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Treasury: S. Paulson
State: P. Wackerbarth
B. Hirshorn
USDA: S. Kelly
Labor: B. White
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5/14/84

DRAFT U.S.-MEXICO SUBSIDIES UNDERSTANDING

The Government of the United Mexican States and the Government of the United States of America agree to establish through the present Understanding a mutually acceptable bilateral framework concerning the treatment of subsidies and countervailing duties. For purposes of this Understanding the United States of America recognizes that Mexico is a developing country and that subsidies are an integral part of economic development programs of developing countries. Accordingly, this Understanding shall not prevent the Government of the United Mexican States from adopting measures and policies to assist their industries, including those in the export sector. The Parties agree that, as a developing country, the Government of the United Mexican States should endeavor to reduce or eliminate export subsidies when the use of such export subsidies is inconsistent with its competitive and development needs. To that end, and for other purposes addressed in this Understanding, the Government of the United Mexican States and the Government of the United States of America agree as follows:

1. GENERAL PROVISIONS

The United States affirms that it is a member of the General Agreement on Tariffs and Trade, the Agreement on Interpretation and Application of Article VI, XVI and XXIII of the General

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Agreement on Tariffs and Trade, and the Arrangement on Guidelines for Officially Supported Export Credits of the Organization of Economic Cooperation and Development, and that as such has accepted multilateral obligations on subsidies and countervailing duties. United States' law implemented those obligations for its countervailing duty law on a most-favored-nation basis with two exceptions relating to paragraphs 5 and 7 which apply to Mexico. By virtue of this Understanding, Mexico will no longer be subject to those exceptions.

The Government of the United Mexican States also recognizes that subsidies may cause adverse effects to the economic interests of the United States of America and agrees to seek to avoid causing, through the use of any subsidies, injury to the domestic industry, or serious prejudice to the economic interests of the United States of America.

2. EXPORT SUBSIDIES

The Government of the United Mexican States agrees that export subsidies on its products shall not be used in a manner which causes serious prejudice to the trade or production of the United States of America and agrees as follows:

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A. CEDI

The Government of the United Mexican States will not grant the export subsidy elements of the program of Certificados de Devolucion de Impuestos (CEDI) to any products, and will not, as provided for in paragraph 5 below, reintroduce such elements replacing the CEDI program with one that is similar or reinstitute them through the issuance of CEDI certificates in a modified form.

Note to accompany paragraph 2.A: The term export subsidy elements is intended only to allow the continuation of the non-excessive remission or drawback of import charges. The Parties recognize that the remission or drawback of import charges in excess of those levied on imported goods that are physically incorporated (making normal allowance for waste) in the exported product; provided, however, that in particular cases a firm may use a quantity of home market goods equal to, and having the same quality and characteristics as, the imported goods as a substitute for them in order to benefit from this provision if the import and the corresponding export operations both occur within a reasonable time period, normally not to exceed two years, is an export subsidy.

B. PREFERENTIAL PRICING

The Government of the United Mexican States agrees not to establish or maintain any pricing practice concerning energy or basic petrochemical products, including the program of Preferential Prices for Basic Petrochemical Products, that is an export subsidy or that has the purpose or effect of promoting exports. To that end, should any outstanding preferential prices granted prior to November 30, 1982 be maintained until their expiration, it will be done without any export requirements.

Note to accompany paragraph 2.B: The Parties agree that this provision shall be interpreted to cover all subsidies counter-available under current United States law. The Parties further agree to utilize the consultation provisions of this Understanding should there be a change in such law.

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C. PREFERENTIAL PRE-EXPORT AND EXPORT FINANCING

The Government of the United Mexican States agrees, with respect to pre-export and export financing with a maturity of two years or less, not to provide export subsidies through preferential pre-export and export financing programs except as provided in the schedule below. An export subsidy subject to this provision includes the grant by the Government of the United Mexican States (or special institutions controlled by and/or acting under the authority of the Government of the United Mexican States) of pre-export or export financing at rates below those which they actually have to pay for the funds so employed (or would have to pay if they borrowed on international capital markets in order to obtain funds of the same maturity and denomination in the same currency as the pre-export or export financing), or payment by them of all or part of the costs incurred by exporters or financial institutions in obtaining pre-export or export financing. To bring its current practices into conformity with this commitment, the Government of the United Mexican States will phase out the export subsidy element of such financing as follows:

--On and after December 31, 1984: 33 1/3% (of the export subsidy element)

--On and after December 31, 1985: 50% (of the remaining export subsidy element)

--On and after December 31, 1986: 100% (of the remaining export subsidy element)

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The Government of the United Mexican States agrees, with respect to pre-export and export financing with a maturity of over two years, to apply at all times the interest rates provisions provided for under the arrangement on guidelines for officially supported export credits of the Organization of Economic Cooperation and Development (OECD). The United States of America agrees that such practices for pre-export and export financing of a maturity of over two years made in conformity with the OECD guidelines shall not be considered an export subsidy prohibited by this Understanding.

Note to accompany paragraph 2.C: With respect to pre-export and export financing with a maturity of two years or less, the first sentence of paragraph 2.C prohibits the use of export subsidies through the use of preferential pre-export and export financing. The second sentence provides an illustration of an export subsidy, but is not all inclusive. The provision of pre-export or export financing with a maturity of two years or less to one producer at a rate lower than that available for sales in the domestic market would also constitute an export subsidy. Furthermore, the terms "actually have to pay" or "would have to pay" refer to cost of borrowed funds, not funds otherwise available.

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3. SUBSIDIES OTHER THAN EXPORT SUBSIDIES

The Government of the United Mexican states agrees that, for the duration of this Understanding, no element of Mexico's development program (nor any other existing or new program not referred to in this Understanding) will provide export subsidies. The Government of the United States of America recognizes that subsidies other than export subsidies are widely used as important instruments for the promotion of social and economic policy objectives and does not intend to restrict the right of the Government of the United Mexican States to use such subsidies to achieve these and other policy objectives which it considers desirable. The Government of the United Mexican States also recognizes that subsidies other than export subsidies may cause or threaten to cause injury to a domestic industry of, or serious prejudice to the economic interests of, the United States of America, in particular where such subsidies would adversely affect the conditions of normal competition. The Government of the United Mexican States shall therefore seek to avoid causing such effects through the use of subsidies.

In particular the Government of the United Mexican States when drawing up its policies and practices in this field, in addition to evaluating the essential internal objective to be achieved, shall also weigh, as far as practicable, taking into account of the nature of the particular case, possible adverse effects on trade. It shall also consider the conditions of world trade,

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production (e.g. price, capacity utilization etc.) and supply in the product concerned.

The Government of the United States of America notes that as of the date of the signing of this Understanding it has not found any elements of Mexico's development program, other than those referred to within this Understanding, to be export subsidies.

4. STANDSTILL

During the term of this Understanding, the Government of the United Mexican States will not maintain any program, nor institute any new program, that is an export subsidy.

The Government of the United Mexican States understands that if it reintroduces the export subsidy elements of the CEDI program, or otherwise takes action inconsistent with Paragraphs 2 or 4, of this Understanding, effective 60 days following any such action, paragraph 5 of this Understanding shall no longer apply as between the United States of America and the United Mexican States, and no determination of material injury shall be otherwise required in any pending or future United States countervailing duty investigation on merchandise from Mexico. During such 60 day period consultations under paragraph 11 will be utilized if requested by either party and the provisions of this paragraph will apply unless the Parties agree during those consultations that no such inconsistent action exists, or that such action has been made consistent with the relevant provisions of the Understanding.

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5. INJURY TEST

For purposes of the application of countervailing measures, there shall be no presumption that incentives granted by the Government of the United Mexican States result in adverse effects to the trade or production of the United States. Such adverse effects shall be demonstrated by positive evidence, through formal investigation procedures prescribed by applicable U.S. domestic law for determining the economic impact of Mexican imports upon an industry in the United States. With respect to all United States countervailing duty investigations in progress concerning products of Mexico as of the date of entry into force of this Understanding, the United States shall ensure that no countervailing duties shall be imposed upon any product of Mexico unless it is determined that the subsidized imports are, through the effects of the subsidy, causing or threatening to cause material injury to an established domestic industry, or retard materially the establishment of a domestic industry.

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6. DOMESTIC PROCEDURES AND LAW

No provision of this Understanding shall be construed to prevent the United States from imposing countervailing duties pursuant to its national law on products of Mexico receiving subsidies of any kind, export or otherwise.

7. SUSPENSION OF CVD CASES

Subject to and in accordance with applicable U.S. national law, before a final determination of a subsidy is made, a countervailing duty proceeding may be suspended without the imposition of countervailing duties upon acceptance of mutually acceptable undertakings, following consultations where requested.

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8. IMPOSITION OF COUNTERVAILING DUTIES

Regarding the procedures utilized for the imposition of counter-
vailing duties, the Government of the United States of America
agrees to provide to products of the United Mexican States treat-
ment no less favorable than that accorded to the products of
other countries. The Government of the United Mexican States
agrees that, should it utilize proceedings on subsidized products
of the United States the procedures will provide treatment no
less favorable than that provided by the Government of the United
Mexican States to products of other countries and in conformity
with generally accepted international practices applied by devel-
oping countries.

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9. NULLIFICATION

Neither party to this Understanding shall directly or indirectly take any action which nullifies or impairs the benefits accruing to the other party under this Understanding.

10. NOTIFICATION/CONSULTATION

Either party may make a written request for information on the nature and extent of any subsidy granted or maintained by the other party. The party from which such information is requested shall provide it comprehensively and as promptly as possible and shall be prepared upon request to provide any additional relevant information.

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11. DISPUTE SETTLEMENT

In the event of a dispute between the parties concerning the operation of this Understanding, either party may request consultations with the other party. If the parties are unable to achieve a mutually acceptable solution within 30 days of the request for consultations then either party may, after delivering a written notification to the other party of intent to take action 30 days in advance, restore the balance of obligations as it deems necessary including the termination of the present Understanding.

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12. DURATION AND TERMINATION

This Understanding shall remain in force for a period of 3 years ~~xxx~~ from the date that it has been signed by both governments.

Either one of the governments may terminate this Understanding by a written notification to the other party 60 days in advance of the date it intends to do so.

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13. The Parties agree to consult during the period of effectiveness of this Understanding with a view toward reaching a more comprehensive means to address the subject matter of the present Understanding.

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14. On the basis of this Understanding, Mexico shall be designated as a "country under the Agreement" as provided by section 701 of the Tariff Act of 1930, as amended by the Trade Agreements Act of 1979, effective on the date of publication of such designation in the Federal Register.

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