



Highlights of [GAO-05-272](#), a report to the Chairman, Committee on Finance, U.S. Senate

### Why GAO Did This Study

In 1994, the North American Free Trade Agreement (NAFTA) created the world's largest free trade area and, among other things, reduced or eliminated barriers for U.S. agricultural exports to Mexico's vast and growing markets. As part of a body of GAO work on NAFTA issues, this report (1) identifies progress made and difficulties encountered in gaining market access for U.S. agricultural exports to Mexico; (2) describes Mexico's response to changes brought by agricultural trade liberalization and challenges to the successful implementation of NAFTA; and (3) examines collaborative activities and assesses strategies to support Mexico's transition to liberalized agricultural trade under NAFTA.

### What GAO Recommends

To aid the successful implementation of NAFTA, GAO recommends that the U.S. Department of State, in cooperation with the U.S. Department of Agriculture (USDA) and other relevant agencies, develop an action plan under the Partnership for Prosperity Initiative laying out specific collaborative efforts on rural development that would support Mexico's transition to liberalized trade under NAFTA. GAO also recommends that the Department of State and other relevant agencies use the Initiative to expand collaboration with Mexico to facilitate credit availability in rural Mexico. U.S. agencies generally agreed with our recommendations.

[www.gao.gov/cgi-bin/getrpt?GAO-05-272](http://www.gao.gov/cgi-bin/getrpt?GAO-05-272).

To view the full product, including the scope and methodology, click on the link above. For more information, contact Loren Yager at (202) 512-4128 or [yagerl@gao.gov](mailto:yagerl@gao.gov).

## INTERNATIONAL TRADE

# U.S. Agencies Need Greater Focus to Support Mexico's Successful Transition to Liberalized Agricultural Trade under NAFTA

### What GAO Found

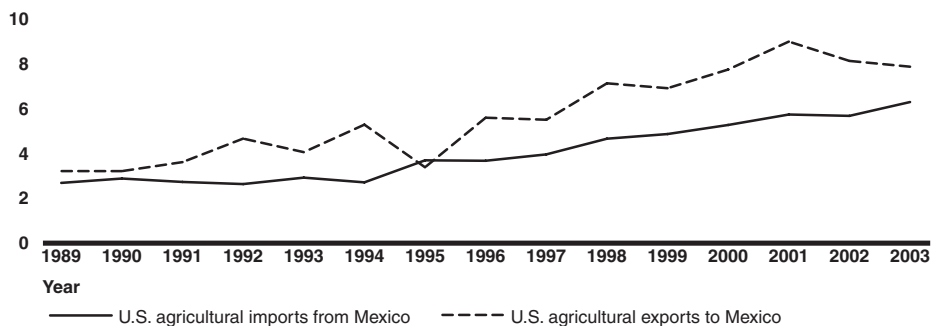
U.S. agricultural exports have made progress in gaining greater access to Mexico's market as Mexico has phased out barriers to most U.S. agricultural products, and only a handful of tariffs remain to be eliminated in 2008. Total U.S. agricultural exports to Mexico grew from \$4.1 billion in 1993 to \$7.9 billion in 2003. Despite progress, some commodities still have difficulties gaining access to the Mexican market. GAO found that Mexico's use of antidumping, plant and animal health requirements, safeguards and other nontariff trade barriers, such as consumption taxes, presented the most significant market access issues for U.S. agricultural exports to Mexico.

Mexico has put in place several programs to help farmers adjust to trade liberalization, but structural problems, such as lack of rural credit, continue to impede growth in rural areas, presenting challenges to full implementation of NAFTA. Lagging rural development fuels arguments that NAFTA has hurt small farmers, although studies, including some Mexican studies, do not support this conclusion. Opponents of NAFTA want to block further tariff eliminations and are demanding renegotiation of NAFTA's agricultural provisions. Concerned about such opposition, U.S. officials acknowledged the need to promote the benefits of NAFTA, while seeking ways to help Mexico address its rural development issues.

Historically, U.S. agencies have undertaken many agriculture-related collaborative efforts with Mexico. Since 2001, U.S.-Mexico development activities have taken place under the Partnership for Prosperity (P4P) Initiative to promote development in parts of Mexico where economic growth has lagged. Recognizing the importance of rural development to the success of NAFTA, Department of State and USDA strategies for Mexico call for building on collaborative activities under the P4P to pursue the related goals of rural development and trade liberalization under NAFTA; however, the P4P action plans do not set forth specific strategies and activities that could be used to achieve these goals.

**Total Value of U.S.-Mexico Agricultural Trade, 1989-2003**

2003 constant dollars in billions



Source: GAO, based on USDA Foreign Agricultural Trade of the United States database.