

FOREIGN TRADE*

January 2005

This **Foreign Trade Report** is an executive summary of the main foreign trade reforms in Mexico published in the Federal Official Gazette during January 2005, which also contains general foreign trade news that will impact Mexican foreign trade. For further information on the topics addressed in this paper or for any questions arising from it, please write to Adrián Vázquez Benítez, adrian@vazqueztercero.com or to Verónica Vázquez Bravo, veronica@vazqueztercero.com.

1. Decree that amends tariffs, establishes PROSEC, a scheme for importation at Border Strips and the Applicable Rate during 2004 for the GID.

On January 3, the Ministry of Economy (SE) published in the Federal Official Gazette the Decree whereby several tariffs items of the Tariff of the General Import and Export Law (TIGIE) are amended, the Decree that provided for the establishment of several Sector Promotion Programs (PROSEC), several decrees whereby the scheme for importations at the Northern Border Strip and Border Region is established, and amendments are made to the decrees that provide the Applicable Rate during 2004 for the General Import Duty (GID) for goods that originate from certain countries with whom Mexico has entered into Trade Agreements. The following are the relevant issues:

✓ Decree that amends tariffs of the TIGIE

Some tariffs items are created for goods such as: fruits in sub-heading 0804.50 and 0809.30; boxes, cases, and crates in sub-heading 3923.10; articles of plastic in heading 39.26; fiberboard of wood in sub-heading 4411.21; paper in heading 48.11; furniture in heading 94.03, wheeled toys to be ridden by children that are actionable by rechargeable batteries in heading 95.01; toys in heading 95.03 (scale models, manicure or cosmetic sets) y swimming and wadding pools in heading 95.06, as well as amendments to other tariff items for products such as paraffin, boxes, cases and crates, furniture and toys.

The texts of tariff items 3004.90.50 relevant to medicines, and the texts of tariff item 9503.70.02 for games, are amended.

Some tariff items specific to goods found in Chapters 28 and 29, relevant to organic and inorganic chemical products are also created and deleted, which amendments shall enter into force on the date of entry into force of the "Agreement that amends an agreement that establishes the classification and codification of imported goods which are subject to regulation by the entities that conform the Inter-ministerial Commission for Control of the Process and Use of Pesticides, Fertilizers and Toxic Substances (*Comisión Intersecretarial para el Control de Proceso y Uso de Plaguicidas, Fertilizantes y Sustancias Tóxicas*)".

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✓ **PROSEC Decree**

Exceptions are included for headings 39.16 through 39.25 and 39.26 from the list of production goods provided by article 4, within Sector XII (for the Wood Industry), as follows:

39.16 to 39.25 (except for tariff item **3923.10.02**)

39.26 (except for sub-heading 3926.10 and tariff items 3926.90.04 and **3926.90.33**)

Likewise, tariff items **3923.10.02** and **3926.90.33** are added to the list of production goods provided by article 4, within Sector XX relevant to the Textile and Dress Industry sector, and such tariff items are added to the list provided by article 5 (imported inputs for the manufacturing of goods listed in article 4) for the following sectors: Electrical Industry (I); Electronics Industry (II); Toy Industry (IV); Mining and Metals Industry (V); Capital Goods Industry (VII); Photographic Industry (VIII); Agricultural Machinery Industry (IX); Diverse Industries (X); Steel Industry (XIII) Transportation Industry (XV), and Automotive Industry (XIX).

✓ **Applicable Rate during 2004 for the GID**

The tariff items of the TIGIE that were created per Decree dated January 3, 2005 are added to the Appendix to the Decree that provides for the applicable rate during 2004 of the General Import Duty for goods that originate from the European Union, the States of the European Free Trade Association, the State of Israel, El Salvador, Guatemala, Honduras, Nicaragua, Colombia, Venezuela and Uruguay, as published in the Federal Official Gazette dated December 31, 2003.

2. Exhibits to Sixth and Seventh Amendments to Foreign Trade Rules for 2004

Exhibits to the Sixth Amendment to the Foreign Trade Rules for 2004

On January 5, the Ministry of Finance and Public Credit published in the Federal Official Gazette Exhibits 1, 21 and 22 to the Sixth Amendment to the Foreign Trade Rules for 2004, as published on December 28, 2004, where the following provisions are highlighted:

✓ **Exhibit 1 (Returns, notices and forms)**

The forms for "Notice of introduction and extraction of goods from a strategic tax precinct" and "Notice on the transfer and receipt of goods from a strategic tax precinct" are issued.

✓ **Exhibit 21 (Customs houses authorized for clearance of certain goods)**

Item XII (Apples) is eliminated from the customs house of **Ciudad Reynosa**; likewise, such customs house is exempted from tariff items 0206.29.99 and 0207.14.04 of item XX (meat and edible offal).

Item XXI (wines and spirits) is added, as classified in several items of headings 2204, 2205, 2206, 2208, and the customs house authorized for importation of such items are: Mexico City International Airport, Aguascalientes, Altamira, Cancún, Ciudad Juárez, Ciudad Hidalgo, Colombia, Ciudad Reynosa, Guadalajara, La Paz, Manzanillo, Mexico, Monterrey, Nogales, Nuevo Laredo, Progreso, Puebla, Querétaro, Tijuana, Tuxpan and Veracruz.

- ✓ **Exhibit 22 (Instructions for filling the application)**
Appendix 2 "Application Codes" ("*Claves de pedimento*") is added in order to add the title of "Strategic Tax Precincts", along with its code, description and relevant cases of applicability, as well as appendix 8 "Figures" ("*Indicadores*"), so as to add codes IR and M3, along with their description, level and relevant supplement.

Seventh Amendment to the Foreign Trade Rules for 2004

On January 21, the Ministry of Finance and Public Credit published in the Federal Official Gazette the Seventh Amendment to the Foreign Trade Rules for 2004, and exhibits 21 and 22 thereto, where the following provisions are highlighted:

- ✓ **Internal transit from the Apodaca Airport and the Monterrey Customs House**
This rule is amended to specify that the transfer of foreign goods that takes place **between** the Customs Section of the "Del Norte" International Airport in Apodaca, Nuevo León, **and** the Customs Section of the Monterrey International Airport, shall be deemed internal transit.
- ✓ **Samples.**
Importation of industrial grade samples shall enter into force until February 15, 2005.
- ✓ **Exhibit 21 (Customs houses authorized for clearance of certain goods)**
The customs house of Ciudad Reynosa is added to item XII of Section A (*Apartado A*), relevant to the importation of Apples classified under tariff item 0808.10.01

The customs house of Lázaro Cárdenas is added to item I of Section B, relevant to the customs clearance of Tequila classified under tariff item 2208.90.03, which is extracted from the country pursuant to the customs regime of definitive exportation, and the customs house of Mexicali is deleted.

- ✓ **Exhibit 22 (Instructions for filling the application)**
Number 4 is added to application code L1 of Appendix 2 "Application Codes", relevant to: minor importation of goods by individuals that pay taxes pursuant to Title IV, Chapter II, Section III of the Income Tax Law, the value of which does not exceed US\$3,000 or its equivalent in Mexican or foreign currency, by applying through generic tariff item 9901.00.01.

The following codes are added to Appendix 8 "Identifiers":

- a) **AC** Certified Bonded Warehouse, pursuant to rule 3.6.22
- b) **AP** Notice of the introduction or withdrawal of goods from a strategic tax precinct, pursuant to rules 3.9.3 item C, 3.9.4 item B numeral 2 and item C, 3.9.5 last paragraph, and 3.9.6 item B.
- c) **LR** Importation of goods pursuant to rule 2.7.9.

3. **NOM-144-SEMARNAT-2004 Wood Crating and Containers**

On January 18, the Ministry of the Environment and Natural Resources (SEMARNAT) published in the Federal Official Gazette, Mexican Official Standard NOM-144-SEMARNAT-2004 that provides for the internationally acknowledged health measures applicable to wooden crating and containers used in the international trade of goods. These provisions entered into force on that date, except for the provisions regarding inspection of imports, which shall enter into force on September 16, 2005.

The standard provides the requirements for importation of products that are contained in any type of wooden material, which material shall present the international **Brand** that evidences that the wood has been treated by the thermal or chemical method, and also indicates the guidelines for visual inspection of the health quality of the crating or container.

Likewise, the mechanism for proof of presence of the **brand** and the absence of live plagues is established. It is worth mentioning that this inspection shall be conducted free of charge by the personnel of PROFEPA (the Mexican Environmental Agency) with the assistance of the random system utilized by the Automated Selection Mechanism of the customs house through which the goods are imported. In case the **brand** is not present or there is evidence of the existence of a live plague, an inspection process with cost shall be initiated, and from the result thereof the importer shall take into consideration the measures recommended by the authorities (application of treatment, elimination of the crating or return of the crating or container).

In the case of exports, the procedure for authorizing companies to apply wood treatment and use the international **Brand** is indicated. It is important to note that the country where the relevant importation is conducted, through the use of their verification authority shall establish the remaining requirements.

Our Firm actively participated in the creation of this NOM on behalf of the world's largest manufacturer of crating and containers used in the international trade of goods.

4. Agreement of goods subject to regulation by SEMARNAT

On January 26, SEMARNAT published in the Federal Official Gazette the Agreement that amends a similar agreement that provides for the classification and codification of goods the importation and exportation of which are subject to regulation by SEMARNAT, thereby eliminating tariff items **4004.00.99** "Other waste, parings and scrap of rubber (other than hard rubber) and powders and granules obtained therefrom", **4017.00.03** "Waste and scrap of hard rubber" and **4004.00.01** "Parings and scrap of rubber or vulcanized rubber (other than hard rubber) tires", the importation or exportation of which is subject to submission of an authorization for import or export issued by the General Directorate of Integral Processing of Risk Materials and Activities, or to the delivery of a Notice of Return, and to inspection.

5. Agreement on goods subject to health regulation.

On January 27, the Ministry of Economy published in the Federal Official Gazette the "Agreement that amends a similar agreement that provides for the classification and codification of goods the importation, exportation, internment or exit of which are subject to health regulation by the Ministry of Health", which shall enter into force 30 days after its publication, in order to add and eliminate several tariff items that are subject to obtaining health authorizations (permits or notices) prior to importation or exportation. ■