

FOREIGN TRADE*

October 2005

This **Foreign Trade Report** is an executive summary of the main foreign trade reforms in Mexico published in the Federal Official Gazette during September 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 Benitez**, adrian@vazqueztercero.com or to **Verónica Vázquez Bravo**, veronica@vazqueztercero.com

1. Report of the WTO Panel on the Special Tax applicable to soft drinks that are sweetened with high-fructose corn syrup.

On October 7th, the World Trade Organization (WTO) published the Panel Report that resolved the claim submitted by the USA against Mexico in connection with the matter known as "Mexico – Tax Measures on Soft Drinks and Other Beverages". In the report, the Panel concludes that the contested tax measures (application of IEPyS, i.e., production and services tax) are unjustified and, thus, recommends that the Dispute Settlement Body request that Mexico amend the measures so as to comply with its obligation pursuant to GATT 1994.

2. Amendment to the Foreign Trade Rules for 2005

Second Resolution

On October 18th, the Ministry of Finance and Public Credit (SHCP) published in the Federal Official Gazette the Second Resolution on Amendments to the Foreign Trade Rules for 2005, and their exhibit 22, in order to add rules 2.6.23 and 2.6.24 that relate to the "Decree whereby conditions for the definitive importation of used automotive vehicles are established", as published in the Federal Official Gazette of August 22 past. These rules provide the necessary requirements that must be complied by both individuals and companies in order to carry out definitive importations in accordance with the aforementioned Decree.

On the other hand, Exhibit 22 was published in connection with the "Instructions for the filling of the application", where spaces such as "items", "customs section", "application codes", "tax precincts" and "identifiers" are amended.

Third Resolution

On October 27th, the SHCP published in the Federal Official Gazette the Third Resolution on Amendments to the Foreign Trade Rules, where the following issues are of relevance:

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- ✓ Procedures for registration in the Importers Registry and Specific Sector Registries may be carried out online.
- ✓ The rules that provide the benefits and requirements for the two new types of Certified Companies (*Maquiladora and Pitex companies that manufacture electric, electronic and automotive sector goods, and Commercialization Companies*) are added to the rules.
- ✓ The global rate applicable to imported goods (non-luggage nor franchise) the value of which does not exceed US\$1,000 is decreased from 17% to 15%
- ✓ Customs authorities may be consulted regarding the correct tariff classification of goods prior to their importation, provided: there is no criterion for such tariff classification; classification of the goods is not difficult, and the importer has submitted a consultation previously.
- ✓ The rules on correction of quotas assignments (*carta de cupo*), the obligations of "Duty Free" shops, and goods that may not be subject to the tax deposit regime, are amended.
- ✓ Customs stations are added for the conduction of international rail transits.

3. Amendment to NOM-144-SEMARNAT Wood Crating

On October 18th, the Ministry of the Environment and Natural Resources (SEMARNAT) published in the Federal Official Gazette the Agreement that adds a third transitory item to NOM-144-SEMARNAT-2004¹, which provides for the animal and food health measures that are acknowledged internationally for wood crating that is utilized in the international trade of goods and services, as published on January 18, 2005, and provides the following: *"In the case of wood for stowage and wedges, numerals 5.3 and 6.6.3, section II, shall come into force on July 5, 2006, except when there is evidence of the existence of live plague"*.

4. Agreement on goods that are subject to health regulations by the Ministry of Health and to Official Mexican Standards.

On October 26th, the Ministry of Economy published in the Federal Official Gazette the Agreement that amends a similar agreement that provides the classification and codification of goods and products the importation, exportation, internment and departure of which is subject to health regulations by the Ministry of Health. This amendment seeks to have potteryware, toys, some school supplies and colors for infants comply with submission of a Health Notice on Importation (*Aviso Sanitario de Importación*) to the Federal Commission for Protection against Health Risks (COFEPRIS) instead of compliance with their relevant Official Mexican Standard. This amendment came into force on October 31, 2005.

5. Extension of the transition period for export subsidies granted by developing countries.

On October 27th, the WTO Committee on Subsidies and Countervailing Measures (SCM Committee) extended for an additional year (until the end of 2006) the transition period for elimination of the export subsidy programs of 19 developing countries.

On the other hand, based on the mechanism for examination of transition provided in the Accession Protocol signed by China, concern was expressed by Canada, the European Union, Japan and Mexico regarding the compatibility of certain measures with the SCM Agreement, and the fact that China has not yet submitted a full and detailed notice of its subsidies, as required by the SCM Agreement. Consequently, China responded that it expected to be able to submit a notice on its subsidies in the near future. ■

¹ Please see our Foreign Trade Report for the month of September in connection with this Official Mexican Standard.