

GENERAL AGREEMENT ON TARIFFS AND TRADE

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Questions and Replies to the Memorandum on Foreign Trade Régime (L/5961 and Rev.1)

In a communication dated 26 November 1985 circulated as L/5919, the Government of Mexico applied for accession to the General Agreement pursuant to Article XXXIII. At its meeting on 12 February 1986, the Council set up a Working Party to examine Mexico's application for accession. The present document, furnished by Mexico, sets forth the questions submitted by contracting parties in connection with Mexico's foreign trade régime and the replies thereto provided by the Mexican authorities.

The Working Party on the Accession of Mexico is scheduled to meet on 29-30 April and 14-15 May 1986. Delegations wishing to raise additional questions concerning Mexico's foreign trade régime might inform the delegation of that country (with a copy to the secretariat) of such questions in advance of the meetings of the Working Party, so that considered replies can be made available by Mexico to members at the time of the Working Party meetings.

REPLIES BY MEXICO TO QUESTIONS PUT BY GATT CONTRACTING
PARTIES REGARDING THE MEMORANDUM ON THE
FOREIGN TRADE REGIME

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I. Economic policy

Question I

What is the significance to Mexico's international trade policy of the National Development Plan (NDP)?

Reply I

The NDP defines the economic and social development strategy for the period 1983-1988. Through this strategy, policies and instruments are co-ordinated for restoring the growth capacity of the Mexican economy, raising the level of employment and improving the distribution of income. In fact, the NDP constitutes the fundamental basis for implementation of Mexico's economic-policy measures, including those of trade policy.

As noted in the memorandum, the NDP comprises sector programmes, one of these being the National Programme for Industrial Development and Foreign Trade, designed to ensure "the necessary consistency of actions for achieving structural change". Structural change is defined as being in six directions: to enhance the social and distributive aspects of growth; to reorient and modernize production and distribution structures; to decentralize production activities and social well-being; to adjust financing modalities to development priorities; to preserve, mobilize and project the national development potential; to strengthen government control, promote the social sector and encourage the private sector.

In trade matters, structural change is designed to correct the causes underlying the chronic shortage of foreign exchange; to improve allocation of resources; to eliminate the anti-export bias, and to make optimum use of the Mexican economy's comparative advantages.

Question II

- II.1 What measures are foreseen by the NDP to increase agricultural production potential in Mexico?
- II.2 Is there a separate sector development programme for agriculture?
- II.3 How is Mexico's agricultural development policy integrated with the foodstuffs and other industrial sectors? What are the objectives of Mexico's agricultural policies, and through what measures does Mexico propose to reach these goals?
- II.5 What kind of actions have been taken since 1965 to overcome the problems in the agricultural sector?
- II.6 What structural changes are being sought in this sector?
- II.7 What does the "strengthening of measures" for the agricultural sector entail?
- II.8 To what extent are current policies an extension of or a change from previous policies?
- II.9 What programmes/policies have been established for this sector under the PRONAFICE or through a PIDIC?
- II.10 What production incentives are available to agricultural producers involved in exporting?
- II.11 Is export diversification being pursued in the agricultural sector through the PROFIEEX?
- II.12 What type of export promotion measures are or will be available to agricultural products?

Reply II

The NDP and PRONADRI lay down the following policy guidelines for increasing agricultural and livestock production:

- (a) Fixing of remunerative guarantee prices;
- (b) Grant of advance and financing credits;
- (c) Promotion of the use of agricultural and livestock insurance;
- (d) Support for small-scale irrigation, conservation of soil and water, and enlargement of the producing area;

- (e) Promotion of producer organization and training;
- (f) Grant of technical assistance;
- (g) Prevention and elimination of pests and disease;
- (h) Encouragement of production of improved seeds, agro-chemicals and veterinary biological products;
- (i) Encouragement of genetic improvement programme;
- (j) Promotion of basic and applied research.

The National Development Plan covering the period 1983-1988 makes provision for a national planning system which establishes policies for development of the private sector and guidelines for their implementation through the National Programme for Global Rural Development covering the period 1985-1988¹ and the National Agricultural and Forestry Programme which is drawn up each year.

Agricultural development policy is integrated with other industrial sectors, including the foodstuff sector, to the extent that it contributes to the industry producing inputs, machinery and equipment for rural production, while promoting the supply of products intended for the foodstuff industry.

More specifically, strategy and programming are co-ordinated with the National Food Programme (PRONAL) and the National Programme for Industrial Development and Foreign Trade (PRONAFICE). In addition, the National Development Plan (NDP) makes provision for integration as between agricultural development policies and industrial development policies.

The principal objectives of Mexico's agricultural policy are:

To ensure self-sufficiency in staple cereals, increase supply of raw materials, improve the trade balance and reduce external dependency.

These objectives are being attained by increasing production and productivity.

In the past twenty years, various policies have been implemented and a great variety of actions taken to promote agricultural and forestry production; they include public investment, research and extension, training of producers, technicians and professional agents, promotion of production and distribution of agro-chemicals and machinery, production financing, insurance, organization of producers, agro-industrial promotion,

¹Text available at the GATT secretariat

and development of supply systems. Up until the mid-1970s these policies were mainly focused on irrigation areas; since then and to date the emphasis has been on rainfall areas.

Structural changes have been the following: enlargement of the agricultural area and livestock herd; diversification of production; modernization of production through application of more efficient production techniques; and better integration with industrial processes.

Measures are being strengthened to increase crop yield and productivity in rainfall areas.

Policies established under NDP and PRONADRI are designed to deal with the economic crisis which is besetting the country as a whole; accordingly, they are in a context of severe financial restriction and drastic reduction of the institutional structure, as indicated in the replies to earlier questions.

The National Programme for Industrial Development and Foreign Trade does not establish any specific measures or programmes for the agricultural sector. Nevertheless, trade policy adjustments have direct and indirect effects on output by the agricultural sector, since export promotion activities are involved.

In support of export production, institutional mechanisms have been set up for administrative simplification, financing, rationalization of protection, technical assistance, and promotion for marketing.

One of the priority targets of the sector programme for agricultural export promotion is diversification of markets and of exportable supply.

The export incentives for agricultural products are the same as for other export products, as indicated in the PROFIEX.

The Government considers that having regard to the situation in Mexico's agricultural sector and its status as a developing country, it is clearly urgent to implement policies designed to secure higher living standards for the rural population, increased income for them, and adequate use of resources - all of these objectives being fully consistent with those of the General Agreement, and in particular those set forth in Article XXXVI of that instrument.

Question III

- III.1 Could Mexico explain what is meant by "priority status for agriculture"?
- III.2 Can Mexico advise precisely which agricultural products are included among products that affect national security or public health?
- III.3 Why does Mexico consider that GATT rules do not provide sufficient protection of its national security, public health and agricultural interest?
- III.4 What trade or industry measures are envisaged with regard to these products that could not be accommodated by existing GATT provisions?
- III.5 Why does Mexico consider that its industry plans could not be accommodated by other than a permanent exemption from GATT coverage for the products in question?

Reply III

This means that agriculture will have preferential treatment in relation to other sectors because of its strategic importance, in the context of the national economy, for attainment of the economic and social development objectives set forth in the Federal Government's plans and programmes.

In the instructions given by the President of the Republic to the Secretary of Trade and Industrial Development for negotiating our country's accession to GATT, it is clearly and precisely stated that concessions cannot be considered "which affect national security or public health, and agricultural products that are sensitive for the national economy".

The agricultural products in this situation are: staple cereals and seeds, being basic consumer goods; those affected by plant- and animal-health restrictions; those used for medicinal purposes, and those the use of which is restricted.

This means that necessarily, for not only economic but also social reasons, certain agricultural products which are the source of income for the bulk of the rural population but are not always competitive, and which generally comprise essential basic consumer goods for the population or inputs for industry, cannot be the subject of concessions under the General Agreement. It should likewise be borne in mind that GATT coverage of agricultural products is itself limited because of the specific interests of some contracting parties.

Nevertheless, Mexico is disposed to enter into concrete negotiations on specific products in this sector.

Mexico considers that the GATT rules, being compatible with Mexico's national legislation in regard to national security and public health, afford sufficient protection. As regards agricultural sensitivity, the internal characteristics of this area make it necessary to find formulae consistent with the pragmatic spirit of GATT that would adequately cover the needs of flexibility for administering Mexico's agricultural policies and at the same time maintaining the integrity of the multilateral trading system.

The agricultural sector comprises a population of some 30 million inhabitants and is therefore a vital source of employment, particularly having regard to Mexico's rapid population growth. Nevertheless, it is not the intention to increase productivity and production for certain products to the detriment of others in the interest of specialization. Solutions are being sought to existing special rural problems. In this context it is necessary, in particular, to take into account the Mexican system of land tenure.

Furthermore, it is relevant to point out that in recent years Mexico has become an important purchaser of cereals, oilseeds, milk powder, etc. and this trend will continue in the future. This means that imports of these products will continue to be subject to the prior permit requirement.

So long as adequate protection is granted to agricultural production, Mexico does not intend to exclude imports of necessary agricultural products; it is prepared to negotiate selective concessions, but must have full flexibility to implement its agricultural policies. It must be understood that reduction of import restrictions will be possible only to the extent that it is consistent with Mexico's objectives in this sector and in the light of prevailing conditions in regard to employment, income and the land tenure system.

For the moment, the Mexican Government can state that the industrial or trade measures applicable to foreign trade in products of this sector include the prior permit system, and at the present time a zero tariff is applied which can be adjusted having regard to the situation in the domestic and international markets. The policy applied is one of non-discrimination as regards sources of supply of imports and destination of exports.

Question IV

The exclusion of products from GATT rules affects the benefits that the existing contracting parties, including other developing countries, could expect from Mexican membership. How does Mexico propose to restore an appropriate balance of rights?

Reply IV

The question seems not very clear, since Mexico considers that the treatment it wants for its agricultural sector will be consistent with the spirit of the General Agreement, and therefore does not believe that there would be any disruption of an "appropriate balance of rights" requiring compensation.

On the other hand, to the extent that adequate protection is afforded to the agricultural sector, Mexico does not intend to exclude imports of necessary agricultural products and is disposed to negotiate selection on specific products.

It should be borne in mind that at the present time Mexico is beset by major economic problems, and having the status of a developing country within the framework of the situation described in Article XXXVI:1(a) and (c), it considers that the contracting parties, in the light of Article XXXVI:1(d) and (f) and 8, could grant special provisions which in regard to trade, finance and development are recognized by the General Agreement itself in respect of such countries.

It should likewise be borne in mind that agricultural products account for only a very small proportion of all the products to be negotiated, and it is therefore considered that this would not be a decisive factor that would disrupt the balance of the negotiations.

Question V

- V.1 Does the "exclusive and original" ownership by the Mexican State extend to forms of energy other than petroleum and natural gas?
- V.2 How does Mexico view the effect of exclusive national ownership of its energy resources on international trade in products whose production is based on these resources as an input?
- V.3 What is meant by the term "consolidated" in the context of Mexico's authority over the energy sector?
- V.4 Does this statement mean that ownership in this sector is, or could be mixed?

Reply V

The nation's "exclusive and original" ownership of its energy resources extends, in addition to petroleum and natural gas, to the generating and supply of nuclear and electrical energy.

Mexico considers that this system of ownership of such resources implies no adverse effects for international trade in energy resources.

Based on the principle of competitive advantage, Mexico likewise considers that there is no distortion of international trade in products containing energy resources as inputs. Mexico sells petroleum, gas and petrochemicals to whoever purchases from us and at competitive prices in the international market.

The term "consolidated" in the context of the paragraph under reference, means that Mexico exercises full authority over this sector. It does not mean that ownership of energy resources can be mixed, since Article 27 of the Constitution of Mexico stipulates that, no concessions nor contracts are to be granted in respect of petroleum and hydrocarbons and that the nation is to be responsible for exploiting these products.

Question VI

Is Mexico seeking an Article XI - type exclusion for energy, including restrictions on exports?

Reply VI

Mexico hopes that, upon obtaining the status of a contracting party to the General Agreement, it will be able to avail itself of all the rights deriving from that status. In this sense, if it is deemed necessary to invoke exceptions under any article of the General Agreement, according to circumstances, Mexico will avail itself of that right. In any case, Mexico considers that the energy sector presents characteristics which are so special that it is not covered by the provisions of the GATT, as evidenced by the fact that at no time have that sector's problems been discussed in this forum, as the energy-producing members of GATT well know.

Question VII

How much time does Mexico consider necessary for integrating the international economy?

Reply VII

Mexico has always been integrated in the international economy, as may be seen from its foreign trade statistics. It engages in import and export trade with all countries without any discrimination. Even though it has not been a member of GATT, Mexico has always applied the most-favoured-nation principle in all its trade.

The decision to make a formal application and to engage in negotiations for Mexico's accession to GATT are the result of the Mexican Government's decision to participate actively and positively in formulation of the rules of international trade.

The Mexican Government wishes to obtain the status of a contracting party to the General Agreement with full rights before the beginning of the coming Round of multilateral trade negotiations.

Question VIII

What trade-policy actions are contemplated by Mexico to redress sectoral imbalances regarding "production and distribution" and "shortage of foreign exchange"?

Reply VIII

To redress situations of this kind, the Mexican Government has envisaged a series of actions, in particular those which offer certainty in foreign trade, ensuring an adequate rate of exchange as an incentive, simplifying administrative measures and negotiating access for Mexican products on a bilateral and multilateral basis. In addition, the process of protection rationalization will be pursued resolutely to make producing industry more competitive and avoid a situation in which the attractiveness of a protected domestic market undermines measures to encourage exportable production.

Question IX

What is meant by "to maintain single marketing channels"?

How and for which products is the single marketing channel maintained for exports?

Reply IX

Single marketing channels are marketing systems that operate through public authorities which intervene directly or indirectly in the production, processing and marketing of sensitive products, basic consumer items or strategic items, within the spirit of the exceptions provided for in Articles XI:(a) and (b), XX:(d) and (i) and, in general terms, the principles and objectives of Part IV of the General Agreement, set forth in Article XXXVI.

The Mexican Government has established single marketing channels for certain products in order, inter alia, to fulfil commitments taken on under international commodity agreements (sugar, cocoa, coffee and tobacco), as envisaged in Article XX:(h).

In addition, it should be mentioned that in the case of cereals such as rice, wheat, oilseeds, and likewise certain dairy products, purchases abroad are being made possible for operators in the private sector.

Question X

Does Mexico have any other type of discriminatory tariff arrangements besides those provided for under the Montevideo Treaty?

Reply X

The Montevideo Treaty of 1980 is a regional economic integration mechanism which is based on Article XXIV of the General Agreement and paragraph 2(c) of the Enabling Clause.

Mexico is not a member of any other arrangement similar to the Montevideo Treaty.

Nevertheless, from the outset our country has been a party to the Protocol Relating to Trade Negotiations Among Developing Countries, drawn up under GATT auspices and the legal basis for which is the Enabling Clause, paragraph 2(c).

Question XI

Could Mexico explain how its internal taxes work and how they affect imported goods?

Reply XI

The Mexican tax system is based fundamentally on two types of taxes: direct and indirect.

Direct taxes include income tax, which is charged on the income of natural and legal persons and constitutes the principal element of the tax system.

Indirect taxes include value-added tax (VAT). Natural and legal persons who import goods and services are subject to VAT (15 per cent of the value of imported goods). Nevertheless, VAT is not charged on temporary imports of products incorporated in export products; luggage and furniture; goods and services whose transfer and furnishing in the national territory are not subject to VAT or are chargeable at the rate of 0 per cent; goods donated by residents abroad, and direct exporters. In addition, there are special taxes on production and services (beer, alcoholic beverages, table wines, tobacco, petroleum spirit, telephone services, insurance, refreshments, syrups and concentrates, basic and current consumer products) and other taxes (on the purchase of real estate, on rental or use of vehicles and on new motor vehicles). The taxes existing under Mexico's legislation are consistent with Article III of the General Agreement in that there is no contradiction between the two legislations. It should be mentioned that none of these taxes is discriminatory, since on the one hand, they are applied to both domestic and imported products and, on the other hand, no distinction is made as to source at the time of collection. In other words, once an imported product has entered the country legally, it is considered to be a domestic product.

Question XII

What are Mexico's intentions regarding accession to the Standards Code?

Reply XII

For the moment, the wish of the Mexican Government is to become a contracting party to GATT. Accordingly, the possibility of signing the Standards Code is not under consideration at present.

Question XIII

Will Mexico include fisheries in GATT disciplines in order to reduce tariffs and import licences as well as to extend rights to private companies to import certain species?

Reply XIII

Although Mexico intends to maintain existing levels of protection in this sector, depending on the national situation and on the international environment, specific tariff negotiations for the grant of reciprocal concessions as between Mexico and the contracting parties, will undoubtedly include a great variety of products which may possibly include some fishery products. In other words, to the extent to which the contracting parties and Mexico agree on the grant of concessions, specific requests in this sector will be the subject of negotiation.

On the other hand, within the domestic market, there are private companies engaged in the import and marketing of fishery products.

Question XIV

- XIV.1 Which criteria will be applied for phasing out the dual exchange rate system?
- XIV.2 How long does Mexico intend maintaining a dual exchange rate system?
- XIV.3 Under what circumstances would Mexico eliminate this system?
- XIV.4 What differential between the official and free market rates does Mexico see as optimal at this time?
- XIV.5 Does Mexico have foreign exchange controls other than the dual rate system? If so, what are they?
- XIV.6 Are they applied equally to all of Mexico's trading partners?

Reply XIV

The dual exchange rate system will be maintained so long as fundamental imbalances with the external sector continue to exist. There is no time-frame for gradual elimination of the system, but the intention is that the differential between the free and the official market rate should not be widened.

At present, Mexico has no other exchange controls, and the system is applied alike to all Mexico's trading partners.

The Mexican Government considers that its exchange rate system is fully consistent with the interpretative notes to Article XV and Article XVI, Section B, of the General Agreement.

Question XV

- XV.1 Is the list of development programmes on page 7 exhaustive?
- XV.2 Are there any others in draft or being contemplated at this time?
If so, please list and describe them.

Reply XV

For the moment, there are no additional programmes in draft but planning is an ongoing activity.

Question XVI

The Memorandum states that PRONAFICE, provides for continued updating in agreement with all the parties involved. Could Mexico define "all the parties involved"?

Reply XVI

"All the parties involved" implies economic agents from the social and private sectors (entrepreneurial groups and chambers, representative associations, etc.) which will be consulted for updating of the programme mentioned, since they will be affected in one way or another by the results of implementation of the programme concerned.

Question XVII

What is meant by reference to the adoption of "measures allowing productive complementarity" with other nations?

Reply XVII

In Mexico's negotiations with other countries, the prime objective is to achieve the best possible conditions for access to international markets by Mexican products. In this context, the concept of "productive complementarity" also and necessarily implies obtaining from abroad those products in respect of which Mexico does not at present have comparative advantages ensuring equal competitive conditions in the international market, whether in respect of inputs or finished products.

In this connection, the aim is to maximize international trade opportunities and potential as one of the principal motive forces of economic development.

The Mexican Government is convinced that G.A.T., being the principal multilateral instrument of international trade negotiation, can offer to Mexico a more reliable framework for its exports, consistent with its status as a developing country.

Question XVIII

- XVIII.1 Are development programmes which are not published in the Official Gazette without the force of law?
- XVIII.2 Are such unpublished programmes ever used to implement informal guidance in Mexican industry?

Reply XVIII

Programmes serve solely as a reference so that the authorities can implement the relevant actions through legal provisions which are published in the Official Gazette, with a view to concerted action with interested parties.

Question XIX

- XIX.1 What is meant by the term "selective import replacement"?
- XIX.2 What measures does Mexico contemplate using to fulfil this objective?
- XIX.3 What is meant by the phrase "ensuring efficient allocation of resources in line with national priorities"?
- XIX.4 What measures does Mexico contemplate using to fulfil this objective?
- XIX.5 Is the phrase "to open up new markets and replace imports" a confirmation of the maintenance by Mexico of import substitution as a principal factor in Mexican trade policy?
- XIX.6 By what means does Mexico plan to "replace imports"?
- XIX.7 Which sectors will be subject to selective import replacement policy?
- XIX.8 Apart from agriculture and the pharmaceutical industry, which sectors are considered as priority sectors?
- XIX.9 Has provision been made for any special protection measures for these sectors?
- XIX.10 What is meant by "replace imports efficiently"?

Reply XIX

The term "selective import replacement" means that encouragement will be given to replacing products that can be produced in Mexico in a competitive manner taking into account availability of resources and in relation with the country's level of economic development, basically using tariff policy for this purpose.

The phrase "ensuring efficient allocation of resources in line with national priorities" means that foreign exchange is to be generated through the foreign trade policy with the object of allocating resources in accordance with national economic development priorities and compliance with international financial obligations.

For fulfilment of these objectives the Mexican Government revises protection policy by replacing the import permit by tariffs, it reduces the extent of tariff dispersion, promotes selective import replacement and improves efficiency in the allocation of resources to the industrial development process.

As stated in the Memorandum on the foreign trade régime, the sector development programmes are aimed at improving competitive capacity and production efficiency. While the overall aim of the measures applied under those programmes is import replacement, this refers to specific products within

the production process which allow better linkage of the various sectors. It is nevertheless relevant to state that in implementing these programmes, account must be taken of international competition.

It is likewise relevant to underline that the policy orientation is not to grant indiscriminate protection by sector, but having regard to the need for better insertion of the economy in international markets; for this reason, greater emphasis is placed on export promotion than on setting import replacement targets.

The Memorandum on the foreign trade régime of Mexico mentions the need to establish global programmes for industrial and trade development under which the rôle of each branch of industry in structural change is defined at that level, contributing to adjustment of the production structure.

Structural change means better linkage within production chains, both upstream and downstream, within the industrial sector concerned. The objective is to develop an integrated and competitive industrial sector that can contribute to promote the country's economic development.

Accordingly, the Memorandum states: "In a first stage of implementation of PRONAFICE, the Mexican Government has brought programmes into operation in the motor-vehicle and pharmaceutical sectors. It is currently preparing programmes for the following industries: capital goods; pulp and paper; foodstuffs; iron and steel; and electrical household goods". These are examined with a view to speeding up the opening of the Mexican economy and in particular replacing the prior permit by the tariff.

Nevertheless, over time and as structural change progresses, priorities will be geared to a favourable international environment and to greater flexibility in Mexico's existing restrictions.

Efficient import replacement refers to the fact of undertaking domestic manufacture of the products (originally imported) that are of greatest benefit to the country. In this sense, import replacement should contribute to improve integration of the production structure, competitive capacity and efficiency of Mexico's industry in its insertion in the international economy.

Question XX

- XX.1 How are PROFIEX programmes funded?
- XX.2 What kind of industries can participate?
- XX.3 What measures does PROFIEX authorize in order to "encourage the manufacture of goods that can replace imports and generate exports"?
- XX.4 What financial and promotional aids and specific actions in regard to infrastructure are included in PROFIEX "to encourage production"?
- XX.5 What aids for foreign trade undertakings are contemplated in PROFIEX?
- XX.6 What is meant by the phrase "fiscal treatment of exports consistently with the principle of observing international trade rules"?
- XX.7 How does fiscal treatment for exports differ from the fiscal treatment of production for domestic consumption?
- XX.8 Are the financial measures included in PROFIEX to promote exports dependent on local content and export performance requirements?

Reply XX

PROFIEX consists not of programmes but of specific actions to support Mexican exports. Actions under PROFIEX address all enterprises which directly or indirectly participate in the export process.

The measures authorized by PROFIEX are varied, the most important being: refund of import charges; imports-for-exports programmes; import rights for exporters; financial aids; elimination of the permits system; appropriate treatment of foreign investments related to the development of exports; elimination of indirect fiscal charges; simplification of procedures including elimination of prior permits for most export sub-headings; and greater dynamism in international trade negotiations.

Although all of these measures were designed before Mexico's request to initiate negotiations for its accession to GATT, they are consistent with the spirit, letter and, above all, objectives of the General Agreement, particularly those relating to developing countries and the achievement of an open international trading system. In this connection, the following provisions may be cited: Article III in respect of taxation; Article VI in respect of refund of taxes; Article VIII:1(c) in respect of import and export formalities; Article XI concerning elimination of quantitative restrictions; and Article XXVIII bis, jointly with Article XXXVI:8, in connection with international trade negotiations.

The financial programmes of BANCOMEXT, the principal institution for financing foreign trade, provides aid on internationally competitive terms for the pre-export and export of commodities, manufactures and services; for imports of raw materials, parts and repairs; for import substitution of high-added-value products; for imports of capital goods and equipment of enterprises engaged in foreign trade; for processing-traffic industry and for frontier zones. In addition, BANCOMEXT acts as a financial agent of the Federal Government.

Among BANCOMEXT financial programmes, pre-export financing is available only for enterprises which manufacture products whose local content exceeds 30 per cent of the cost of the product - the minimum required by industrialized countries for the GSP. The financial measures are not linked to the attainment of pre-determined export levels; the only requirement is that the enterprise should export.

The aids to foreign-trade enterprises contemplated in PROFIEX include financial aids which provide adequate and timely credit at international rates. What is more, association of such enterprises with foreign marketing companies is authorized.

Fiscal treatment of exports consistent with the principle of observance of international trade rules refers to adjustment of competitive conditions - as regards fiscal charges on export products - to the benefits granted in this field by other countries.

The difference in the fiscal treatment of exports from that applying to production for domestic consumption is that indirect taxes (VAT and other taxes on production, trade and consumption) do not apply to exports, as provided in Article VI:4 of the General Agreement.

PROFIEX is basically a compendium of the specific actions in support of Mexican exports which are available to all enterprises directly or indirectly participating in the export process and whose legal bases are scattered among numerous provisions of existing Mexican legislation. Thus, it is a document which assembles, in a complete form, all of the mentioned actions with a view to better presentation and greater systematic dissemination in the Mexican export sector.

Question XXI

- XXI.1 Please describe more fully the concept and use in practice of the "domestic credit card".
- XXI.2 What commitments must enterprises make in order to receive the aids described above?
- XXI.3 Do they include local content or export performance requirements?

Reply XXI

A Domestic Credit Card is a document issued by a bank in favour of an indirect exporter whereby the issuing bank undertakes to credit the indirect exporter with the amount of his sale to the final exporter once the proceeds are received.

The purpose of the Domestic Credit Card is to provide suppliers of exporters with financial aid on the same conditions as aid to final exporters.

The Domestic Credit Card is issued only for activities connected with the sale of products abroad but it is not linked to any local-content requirement.

Lastly, it should be noted that the Domestic Credit Card was designed in consultation with the World Bank and is used as an aid to exporters in other countries parties to the General Agreement (Republic of Korea).

Question XXII

- XXII.1 Is the support granted through priority projects and programmes in conformity with GATT obligations? (PIDIC)
- XXII.2 What are the appropriate instruments contemplated in those programmes?
- XXII.3 Please list the "interested sectors" consulted in the development of PIDIC programmes.
- XXII.4 Do the parties consulted include foreign owned-firms operating in the affected sector, or foreign governments whose trade interests are involved?
- XXII.5 Is Mexico preparing a PIDIC for the electronics sector? If so, why was it omitted from the programmes listed?
- XXII.6 What incentives and instruments will be used in promoting the development of these sectors?
- XXII.7 What type of regulations for local content, export performance, and domestic research and development are involved?
- XXII.8 Do the NDP, PRONAFICE and PIDIC development programmes contain local content requirements? If so, how are these requirements going to be applied in conformity with obligations in the General Agreement?
- XXII.9 Could Mexico describe in detail the sectoral programmes for motor vehicles and pharmaceuticals?
- Could Mexico expand particularly on their external trade aspects?
 - Is the list of programmes mentioned an exhaustive one?
 - Are these programmes going to be phased out?

Reply XXII

For the purpose of facilitating analysis by interested countries, the Government of the Mexican Republic sent GATT the programmes in question along with their operating rules. They include the objectives, guidelines and instruments necessary for their integrated application so as to induce rational behaviour in these sectors that would facilitate greater production efficiency with a view to meeting urgent needs for generating permanent jobs and industrial competitiveness.

Through these programmes it is sought to promote the investments needed for projects which help to adjust, modernize and reconvert production

processes in a manner to ensure that motor-vehicles in particular finished vehicles of high value-added content, and components are manufactured on an efficient scale, to quality standards and at competitive international prices so as to be accessible to the domestic consumer and exportable.

As to the pharmaceutical sector, the objectives are: (1) to strengthen and rationalize the market for medicaments with a view to leaving only those required to satisfy the needs of the population and avoiding unnecessary products, and (2) to help to promote the country's economic independence by increasing domestic production of raw materials and continuing to activate and expand exports.

As regards the proposed programmes, if the reference is to those enumerated, it should be pointed out that they have been defined as strategic for the process of structural change of the economy, which is a medium-term process. However, as is also indicated in Mexico's Memorandum on the Foreign Trade Régime, the programmes described in that document include short- and medium-term strategies which could entail adjustments in other sectors as required to reflect changes in international economic conditions and to fulfil the legitimate aspirations for social well-being of the majority of the country's population.

The setting of social and economic goals by countries which, by means of an increasing articulation of their production and their society, seek to bring about a rising socio-economic level is an unquestionable right of a country at Mexico's stage of development and is in keeping with the practice of the countries parties to the General Agreement.

What is more, the goals envisaged in the programmes will obviously change as this process advances and the restrictive conditions prevailing at the international level change to promote the growth of trade flows and a greater involvement of developing countries in them.

Similarly, it is obvious that, once the structural-change objectives of the programmes are attained, that will favour competition on fairer and more equitable terms in international markets, which at present are characterized by restrictive conditions that do not promote the growth of trade flows and a greater involvement of developing countries in them, but at no time is there any idea of abandoning national economic and social development strategies, which will adjust to both external and internal conditions as necessary.

The sectors involved in the elaboration of these programmes consist of all natural or legal persons who are in any way concerned by the results of the implementation of those programmes. Since the enterprises consulted are situated within the country, the opinions of both national and foreign enterprises are taken into account in the elaboration of the programmes. Every enterprise established in Mexico is considered a national enterprise under Mexican law even if 100 per cent. of its capital is foreign.

The list contained in the Memorandum is not exhaustive. At present, PIDICs are envisaged for petrochemicals, electronics, textiles and footwear. The instruments for the development of these programmes are in keeping with the practices of GATT and relate to protection by means of duties.

The programmes do not contain specific market-limiting provisions.

The Government of Mexico considers that all of its sectoral projects and programmes, whose legal basis is the Constitutional Statute governing the National Planning System, carry out the responsibility of every government to seek for its population higher standards of living, full employment and greater levels of real income and effective demand, which are especially urgent objectives for developing countries and all of which are fully recognized by the General Agreement. In this connection, the Government of Mexico is convinced that Article XVIII and Part IV of the General Agreement and the Decision of the CONTRACTING PARTIES of 28 November 1979 concerning safeguard measures taken for development reasons would have fully covered the adoption of such programmes if, at the time, Mexico had been a contracting party to the General Agreement.

Question XXIII

Programes are already in operation in the motor vehicle and pharmaceutical sectors. We request further information on these programmes.

Reply XXIII

These documents were delivered by the Mexican Mission in Geneva to the GATT secretariat on 15 February 1986 and are available to all contracting parties wishing to consult them.

Question XXIV

Which sectors the Mexican Government considers to be vulnerable, and what are the Government's intentions with regard to protection in these sectors?

Reply XXIV

The vulnerability of sectors is determined not only by domestic problems but also by external factors. In the former case, the definition of vulnerable sectors depends on the implications of domestic problems for employment, satisfaction of the basic necessities of the population and the need to make production adjustments with a view to greater efficiency and competitiveness; it is also related to matters connected with national security and public health, principally.

In the case of external factors, growing protectionism on the part of the more industrialized countries, downward pressures on prices of raw materials, and dumping practices in some sectors in which there is world over-capacity obviously demand careful policy administration.

As to Mexico's policies of protection, while their general trend is downwards, as already stated this decision was adopted unilaterally and it is clear that, as in all countries in the agricultural sector, there is preferential treatment in some products and in industrial reconversion programmes in the branches referred to in the Memorandum on the Foreign Trade Régime. It is worth adding that these programmes are bound to be adjusted in accordance both with the dynamics of national development and with evolving conditions in international markets. Accordingly, the changing factors which influence and condition these policies of protection will bring about changes in the priorities for sectors or industrial branches.

Question XXV

- XXV.1 Are investors in some industries required to source a percentage of the inputs of their production in Mexico? If so which industries?
- XXV.2 What are the current measures regarding local content requirements? What, if any, new local content measures for exports are contemplated?
- XXV.3 Are investors in some industries required to export a certain portion of their output? If so, in which industries?

Reply XXV

There are such regulations in the motor-vehicle and pharmaceutical sectors. The complete text of these decrees was sent to the GATT secretariat and is available to any contracting parties wishing to consult them.

Except for those two sectors, there is no legal regulation in Mexico designed to require investors to export a given percentage of their total output.

Question XXVI

- XXVI.1 Which are the criteria to be met by an undertaking in order to be included in the list established for development programmes?
- XXVI.2 Is this list established definitively, or can new undertakings be included in it?
- XXVI.3 When, and on what conditions?

Reply XXVI

The programmes are open to all enterprises in the sector concerned. The benefits are granted to all enterprises which adjust to the specific strategy established in the programmes. Any enterprise may participate, regardless of its capital structure, whether Mexican or foreign.

As indicated in Mexico's Memorandum on the Foreign Trade Régime, the development programmes establish the specific strategy for each branch of industry that accepts structural change and contributes to change in the production apparatus as a whole. It is thereby intended to reorient the behaviour of the sector in a way that increases its production efficiency and competitiveness.

II. INSTRUMENTS OF TRADE POLICY

Question XXVII

Concerning general customs matters, does Mexican law provide for judicial review of customs matters, such as tariff classification and duty assessment?

Reply XXVII

Article 142 of the Customs Law clearly states that "definitive decisions issued by the customs authorities shall be subject to the appeals established by the Fiscal Code of the Federation, which must be exhausted prior to the interposition of any other means of defence".

Question XXVIII

The Memorandum lists a number of conditions that form "a fundamental premise for Mexico" to be able to liberalize and rationalize its trade régime. Does this statement mean that these factors form preconditions to Mexico's adoption of GATT obligations?

Reply XXVIII

The policy of liberalization of prior permits and rationalization of Mexico's trade régime was adopted by a unilateral and sovereign decision because it suited national interests, independently of Mexico's accession to GATT.

In this respect, the Memorandum is very clear as to the international conditions which Mexico considers would be indispensable for maintaining the continuity and ensuring the success of such policies.

Furthermore, it must be stressed that the conditions mentioned would of themselves help to strengthen the multilateral trading system for the benefit of all, as indicated in the principles and objectives embodied in the GATT Ministerial Declaration of 1982 concerning the multilateral trading system.

II.A IMPORT TARIFFS

Question XXIX

Under what conditions does the Federal Executive of the Government of Mexico have the authority to alter import and export duties?

Reply XXIX

Article 1 of the Law implementing Article 131 of the Political Constitution of the Mexican United States regarding foreign trade authorizes the Federal Executive to regulate and promote foreign trade and the national economy by increasing, reducing, or eliminating import and export duties, and to create new ones.

The Federal Executive annually submits a report to the Congress of the Union on the exercise of this authority for approval.

Question XXX

Will Mexico observe GATT procedures on notification when duties are increased?

Reply XXX

As a contracting party, Mexico will observe all the provisions of the General Agreement it is required to, including that concerning notification to GATT whenever it makes adjustments in its import levies on the products in its schedule of concessions, in accordance with the special procedures and provisions applicable to developing countries.

Question XXXI

What avenues of appeal are available to importers and exporters who wish to contest changes in duties?

Reply XXXI

Those concerned may apply for tariff adjustments depending on their needs, and the Tariff and Foreign Trade Control Commission has a very receptive attitude.

After exhausting this avenue, importers and exporters may challenge the decisions taken by the Federal Executive in this field before the Supreme Court of Justice of the Nation by way of amparo [right to judicial protection].

II.A.1.(a) IMPORT DUTIES

Question XXXII

Does Mexico intend to eliminate high rates (i.e. above 50 per cent)?

Reply XXXII

Since the beginning of the present Administration, the Mexican Government has taken a series of measures aimed at liberalizing its foreign trade. As mentioned in the Memorandum, apart from the 10 per cent rate applying to more than 3,000 sub-divisions, there are nine duty rates. It should be noted that 98 per cent of the General Import Tariff's sub-divisions pay duties ranging from 0 to 50 per cent, the average being 25 per cent.

The Government of Mexico would be prepared, in connection with the negotiating process for its accession to GATT, to examine in a constructive manner the possibilities of reducing some rates which currently exceed 50 per cent, in response to specific submissions.

Question XXXIII

Which tariff classifications generally have had an increase in tariffs since 1979?

Reply XXXIII

Duty Rate Changes in
The General Import Tariff, 1983-1985

Year	Number of sub-divisions		Difference
	Higher duties	Lower duties	
1983	52	2,623	2,569
1984	618	583	35
1985	2,294	913	1,381

Based on available data, the above table shows the trend in the last three years as regards reductions and increases in duty rates. In 1983, the major thrust was on rate reductions, in contrast with 1985, when the greater number of changes were upward. The above was due to the following:

In 1983, owing to the high cost of foreign exchange, there was a reduction in duties on imports of inputs and capital goods whose import was necessary to maintain and expand the capacities of Mexico's production apparatus, especially in view of the fact that, at the time most of these movements occurred, many imports were still subject to the requirement of a prior permit.

The marked incidence of rate increases in 1985 reflected the strong progress made in the process of eliminating prior permits and their replacement by duties as the chief element of protection of Mexico's industry.

Question XXXIV

Will Mexico bind its tariffs as a member of GATT?

Reply XXXIV

Mexican bindings will be the result of specific negotiations on the products concerned. Consequently, it should be clear that Mexico will assume such commitments through negotiations with the contracting parties to the General Agreement, in terms of commitments equivalent to those assumed by contracting parties at similar levels of development, case by case and for a limited number of products.

II.A.1(b) IMPORT DUTIES

Question XXXV

- XXXV.1 What is the purpose of the 2.5 per cent duty on the amount of the general duty?
- XXXV.2 What differentiates it from the customs duty?
- XXXV.3 Under the new Foreign Trade Law does the Executive have, in respect of this duty, the possibility to increase, reduce or eliminate customs duty rates?
- XXXV.4 Is this duty applied on the customs duty, or on the value of the goods?
- XXXV.5 What are the criteria for determining the essential character of an import, so as to exempt it from this duty?
- XXXV.6 Does the Customs Law require the Executive to determine what is essential?
- XXXV.7 Is this duty applicable to domestic production?
- XXXV.8 Are imports from Chile exempt or not?
- XXXV.9 Is this duty in any way related to the cost of services rendered on imports?

Reply XXXV

The charge of 2.5 per cent on the base value of the general import duty is an import charge which is generally applied and which serves as an instrument of trade policy.

The 2.5 per cent charge is a fixed rate on imports. The duty is a levy on imports of goods and both are instruments of trade policy.

Since it is a rate which applies to the totality of the tariff established by the General Import Tariff Law (with the exceptions specified by the Congress of the Union) it cannot be modified by the Federal Executive.

The 2.5 per cent applies to the base value of the general import duty, i.e. to the value of the goods.

The Customs Act does not require the Federal Executive to determine priorities. For exemption from this charge, consideration is given to whether the goods in question are widely-used consumer goods mainly for food or health, or whether they are raw materials for the production of such goods or of other goods for use by industries of high economic or social priority.

This charge is applied in a general way, without discrimination as to country of origin or consignment. It is not paid, however, in the case of countries of origin or consignment which are members of ALADI when the imported goods fall under tariff sub-divisions negotiated for preferential treatment under the Treaty of Montevideo as long as such treatment continues.

The charge does not relate to government services in connection with imports.

II.A.1(c) ADDITIONAL DUTIES

Question XXXVI

- XXXVI.1 Does Mexico intend to merge the different duties (3 per cent for municipalities and 10 per cent for imports by post) into a single duty-rate?
- XXXVI.2 Does the Executive have the possibility to increase or reduce the 3 per cent duty destined for the municipalities?
- XXXVI.3 Is this duty applied on the value of the goods or on the customs duty?
- XXXVI.4 Is this duty applicable to domestic products?
- XXXVI.5 Why this discrimination as to the means of transport in the application of the additional 10 per cent duty on imports by post?
- XXXVI.6 How is this duty justified having regard to the provisions of Article II:2 of the General Agreement?
- XXXVI.7 Are there any other charges levied on imports?
- XXXVI.8 Are the additional duties in any way related to the cost of services rendered on imports?
- XXXVI.9 Does the 10 per cent additional duty refer to imports transported into Mexico through the official postal service?

Reply XXXVI

Since these additional duties have specific objectives and are based on internal legal provisions, they cannot be incorporated into a single duty.

The 10 per cent surcharge on the amount of the general duty, applied to imports by post, is designed to compensate for the additional costs borne by the Mexican postal service.

The additional 10 per cent for imports by post is in no way discriminatory since it is charged on all imports, regardless of country of consignment.

The 3 per cent surcharge on the amount of the general duty is legally based on the Customs Act. As it is an additional rate applicable to the tariff established by the General Import Tariff Law, it cannot be modified by the Federal Executive. It does not apply to domestic production since it is an additional duty on imports. It is received by the municipality within whose territory the goods are imported and its objective is to improve shipment-handling services.

As it is a percentage based on the amount of the general import duty, its impact on imports is minimal.

The levies indicated in II.A.1(c) of the Memorandum are the only charges collected as additional duties on imports, and do not relate to services furnished for imports.

II.A.2 STRUCTURE OF GENERAL IMPORT TARIFF

Question XXXVII

- XXXVII.1 Could Mexico clarify what the situation will be, upon accession to GATT, as regards the structure of the General Import Tariff (columns)?
- XXXVII.2 Are there statutory rates of duty that are different from the rates actually applied?
- XXXVII.3 Are all duty changes notified in the Diario Oficial?
- XXXVII.4 How often is the General Import Tariff published?
- XXXVII.5 Will Mexico adopt the Harmonized System?

Reply XXXVII

There are no statutory rates different from those applicable under the General Import Tariff. All changes are published in the Official Gazette of the Federation and it is then that they acquire binding force.

The General Import Tariff is not published periodically in the Official Gazette of the Federation; all that is published are the changes made in the tariff. Nevertheless, to help importers and the general public, the Department of Trade and Industrial Development and a private undertaking publish the General Import Tariff and keep it up to date by means of replacement pages.

As regards the nomenclature to be used, Mexico intends to adopt the Harmonized System (HS) and preparatory work is already in progress on preparing the lists for conversion of the present nomenclature to the HS in order to facilitate recognition of trade flows where the date of incorporation is not specified.

STRUCTURE OF THE GENERAL IMPORT TARIFF AS AN AID TO UNDERSTANDING
MEXICO'S TRADE NEGOTIATIONS WITH OTHER COUNTRIES

GIT Sub-division	Description of goods	Unit of application	Ad valorem		
			GATT	LAIA	General
Example 84.59.B.014	Concrete sr readers	kg.G	25	20	25
	LAIA (Paraguay)	kg.G			

Question XXXVIII

The Memorandum explains that Mexico applies ten levels of duty rates, and describes four of them. Could Mexico provide similar information concerning the remaining duty levels?

Reply XXXVIII

STRUCTURE OF THE GENERAL IMPORT TARIFF¹

Tariff levels	No. of sub-divisions	% of value imported ²
0	252	33.6
5	317	10.4
10	3,158	28.3
20	109	0.9
25	1,221	12.5
30	44	0.9
40	1,896	9.5
50	972	3.1
100	131	0.8
Total	8,100	100.0

¹As at 1 April 1986

²1985 imports

The General Import Tariff contains nine duties on imports; as regards the tariff sub-divisions, the greatest concentration is at the levels of 10, 25 and 40 per cent (6,275 sub-divisions), which cover 50.3 per cent of the value of imports. Nevertheless, the sub-divisions subject to duties between 0 and 5 per cent (569 sub-divisions) accounted for 44.0 per cent of the total value of imports.

Question XXXIX

- XXXIX.1 Do certain types of goods (e.g. agricultural, resource, industrial) fall under specific tariff rate categories?
- XXXIX.2 For partly processed and fully processed minerals and metals, we would anticipate a mixture of bound tariff levels, ranging from zero to say 20 or 30 per cent. Mexican comments would be appreciated.

Reply XXXIX

The structure of the General Import Tariff comprises nine levels of import duty, the rates of which are as follows: duty free, 5, 10, 20, 25, 30, 40, 50 and 100 per cent.

This tariff structure basically corresponds to following criteria: the existence or non-existence of national production, the degree of coverage of the national market by local production, the position of the products in the production process and, lastly, the prior licensing régime applicable to the tariff sub-divisions in question.

The rates of duty applied to imports of products similar to those manufactured domestically are generally within the range of 20 to 50 per cent; a greater degree of processing attracts a higher rate of duty and the criteria mentioned above are generally applicable.

In the case of products not manufactured locally, the rate most frequently applied is 10 per cent, though products considered to have high import priority and which affect the initial stages of the production chain may be imported at 5 per cent duty or duty free.

These criteria are generally applicable, without distinction as to sectors or branches of production.

Question XL

- XL.1 Does Mexico prohibit the importation of certain goods? If so, what criteria determine such prohibitions?
- XL.2 Can Mexico supply a list of tariff categories for which imports are prohibited?
- XL.3 Does Mexico have any plans for liberalizing the goods currently on the prohibited list?

Reply XL

The import of only nine products is prohibited (see list); the criteria for such prohibition are reasons of public health, plant and livestock health and national security. In view of the nature of these goods, Mexico does not intend to liberalize them.

(A list of products for which licences are automatically refused is annexed).

LIST OF PROHIBITED SUB-DIVISIONS

Tariff Sub-division	Description of goods
03.01.A.005	Predator fish, live, whether fry or adult
12.07.A.009	Indian hemp (Cannabis Indica)
13.03.A.005	Opium prepared for the pipe
13.03.A.014	Alcoholates or fluid or solid extracts of Indian hemp (Cannabis Indica)
29.26.A.001	N-phthtalylglutamic acid imide
29.34.A.004	O-(2.5-Dichloro-4-bromophenyl)-O-methylphenylthiophosphate
29.42.A.007	Diacetylmorphine
30.03.A.006	Preparations based on acetyl morphine or its salts or derivatives
30.03.A.009	Brand medicaments based on Cannabis Indica

Question XLI

- XLI.1 The Memorandum states that imports "are considered to be domestic" goods after duties are paid. Is this true in terms of their incorporation into certain products, such as automobiles and pharmaceuticals?
- XLI.2 Please list the products covered by domestic laws and regulations that prescribe a certain percentage of "local content" in their manufacture as a requirement to produce or import.

Reply XLI

Imported goods are considered to be "nationalized" when they have entered the national territory legally. Nevertheless, for purposes of national content, they are still treated as imported products.

Question XLIII

Mexico has established temporary import programmes. What is meant by "temporary"?

Reply XLIII

The temporary import programmes are authorized to enable undertakings to import goods to be used in the manufacture of products for export. Consequently, this class of goods remains in the country long enough to complete the process of production for export.

In the case of temporary import of inputs, the nature of the régime necessarily requires that such goods be used for the manufacture of products that will be exported. Such temporary import, which is not liable to duty, provides an alternative to the "draw-back" mechanism established by Mexico for export products.

Question XLII

- XLII.1 Concerning Mexico's application of the Value-Added Tax (VAT), is it applied without distinction on domestic output and imports?
- XLII.2 What are the various rates applied?
- XLII.3 On which goods, domestic or imported, is VAT not chargeable or is applied at a zero rate?

Reply XLII

VAT is charged on both domestic and imported products.

The various rates are as follows:

- 0 per cent. The zero rate of VAT applies to products considered to be within the basic popular consumption basket, to agricultural implements and fertilizers, to inputs embodied in export products, to purchases made by export consortia for export purposes, and to the production of exportable goods and services.
- 6 per cent is charged in free zones and frontier areas on brand medicaments and food products, except those taxed at zero or 20 per cent.
- 15 per cent is charged in the rest of the territory.
- 20 per cent is charged on luxury goods.

Question XLIV

- XLIV.1 Does Mexico intend to ensure more continuity (stability) in the general import tariff in future?
- XLIV.2 Is rationalization of protection a long-term objective?
- XLIV.3 Are there precise time-tables for its implementation?

Reply XLIV

The object of the protection rationalization policy is to promote greater efficiency and competitiveness in Mexican industry, by changes in its production structure aimed at taking greater advantage of domestic resources. This will help to make goods produced in Mexico more competitive as regards both price and quality.

It is, however, a change which cannot be accomplished in a short time, but will require a considerable period for the adjustments needed to carry out the desired structural transformation.

II.A.3(a) EXPORT DUTIES

Question XLV

- XLV.1 What criteria are used to determine such prohibitions?
- XLV.2 Please elaborate on the reasons why export control is maintained?
- XLV.3 What are the types of goods submitted to export duties and export prohibitions?
- XLV.4 Will these restrictions be progressively eliminated?
- XLV.5 In what way, and on what products, does export control maintain single marketing channels?
- XLV.6 Is this export control maintained through duties, licensing, or a combination?

Reply XLV

In the case of agricultural and forest products the reasons for prohibition of exports are as follows:

- (a) Preservation of species in danger of extinction;
- (b) reasons of animal health and public health.

The main reasons for control of exports other than those mentioned in the preceding paragraph are:

- to ensure the supply of basic food products;
- to rationalize the exploitation of natural resources;
- to ensure that subsidies will not benefit foreign consumers, as they do in the case of products containing sugar;
- to ~~balance exportable supply with conditions on the international market.~~

In the area of reduction of taxation on exports of agricultural and forest products, there are some items such as certain horticultural products and fruits, to which minimum levels of taxation are applied solely for purposes of foreign exchange control.

Consideration is being given to the elimination of quantitative restrictions on products concerning which the main problem is the balance between exportable supply and international demand, such as products coming under sowing programmes for export. Such elimination will be gradual and progressive.

The main products which are marketed through a single channel only, are the following:

- basic grains, dairy products, sugar, cocoa, coffee and tobacco, among others. This is due to the above-mentioned considerations of regulation of supply, and to commitments entered into with international bodies.

Export prohibitions are imposed in connection with the international treaties concluded by Mexico to combat the traffic in narcotic drugs and for reasons of plant and livestock health and public health, as in the case of human blood and some of its derivatives; they are also applied to preserve the cultural, historic and artistic wealth of the nation.

The tariff includes very few such prohibitions and in view of their purposes it is not possible to eliminate them.

Similarly, the requirement of prior export licences is applied where there are commitments to self-restraint under bilateral agreements with other countries, which include agreements on textile products and garments, and certain iron and steel products. The requirement of an export licence is used to check the limits of the amounts exported.

Export control is carried out preferably by prior licensing and, in such cases as that of coffee, by a combination of taxation and prior licensing.

Sub-Divisions of the General Export
Tariff which are Prohibited, Taxed or Controlled
As At 1 April 1986

	Number of sub-divisions	Per cent of value exported ¹
Total prohibited	40	0.0
Total taxed	134	7.3
Total controlled	247	14.8
Total controlled and taxed	70	6.6

¹ Value exported in 1985.

A list of prohibited sub-divisions is annexed.

GENERAL EXPORT TARIFF
SUB-DIVISIONS FOR WHICH EXPORT IS PROHIBITED

Sub-Division	Description of goods
01 03 A 03	Peccaries
01 04 A 02	Pedigree sheep and goats
01 06 A 15	Seals, elephant seals and sea-lions
03 01 A 07	Chilled totoaba
03 01 B 12	Frozen totoaba
03 03 A 02	Live lobsters
04 05 A 02	Eggs of guano-producing sea birds
04 07 A 01	Turtles' eggs
05 15 A 01	Dead guano-producing sea birds or their offal
06 01 A 02	Bulbs of henequen, wild lettuce, maguey, etc.
06 02 A 03	Plants and roots of aloe
06 02 A 05	Rubber-yielding plants
06 02 A 04	Plants of henequen, wild lettuce, maguey, etc.
06 02 A 07	Plants and roots of pineapple, banana or vanilla
06 02 B 01	Cuttings or slips of rubber-yielding plants
06 02 B 02	Cuttings or slips of henequen, wild lettuce, maguey, palm, etc.
06 02 B 04	Cuttings or slips of pineapple, banana or vanilla
06 06 A 04	Foliage, branches and other parts of cassava
12 01 A 10	Poppy seeds (somnifera)
12 02 A 02	Flours or meals of poppy seed (somnifera)
12 03 A 02	Seeds of pasture grass
12 03 A 04	Seeds of rubber-yielding plants
12 03 A 10	Seeds of Indian hemp
12 07 A 02	Plants of Indian hemp
12 07 A 04	Coca leaves
13 03 A 02	Saps and extracts of opium
13 03 A 05	Saps and extracts of Indian hemp
29 42 A 01	Diacetylmorphine, base or hydrochloride
29 42 A 03	Morphine
29 42 A 05	Cocaine

ANNEX (cont'd)

Sub-Division	Description of goods
30 03 A 02	Preparations based on cannabis indica
41 01 A 03	Hides and skins of alligator, crocodile or lizard
41 01 A 99	Other hides and skins of wild animals not specifically mentioned
44 04 A 03	Fine woods, squared by saw, axe or hatchet
44 05 A 03	Fine woods, sawn, sliced or peeled
44 13 A 03	Fine woods, planed
53 01 A 01	Wool, not carded or combed
53 03 A 01	Wool waste
53 04 A 01	Wool shreds
99 05 A 12	Objects declared to be of archaeological value

II.A.3(b) EXPORT DUTIES

Question XLVI

- XLVI.1 How are products of greater value added identified?
- XLVI.2 What criteria are applied to determine that a domestic supply shortage exists?
- XLVI.3 Are these export charges related in any way to the cost of services rendered?
- XLVI.4 For export permits, do the supply considerations referred to include price levels?

Reply XLVI

In the export tariff, the criterion of greater added value is not used in determining the rate of tax and/or control of liberalization of exports.

At present, 247 sub-divisions of the general export tariff are subject to prior licensing, of which 103 are exported through a single channel, eighty-five are controlled in order to maintain domestic supplies, forty-nine are handled through a single outlet and ten relate to species in danger of extinction.

The sub-divisions subject to export duty are taxed as follows:

- forty sub-divisions, mainly agriculture and fisheries products, at 1 per cent, as a measure of support for exchange control;
- fifty-nine sub-divisions comprising products regarding which there are internal supply problems, at five or twenty-five per cent;
- sixteen sub-divisions comprising products for opotherapeutic uses and for the preservation of species, at 50 or 100 per cent.

Export duties bear no relation to the services rendered.

Price levels are not a factor taken into consideration for the granting of export licences.

Question XLVII

- XLVII.1 What is the rationale for the three different levels of additional duties on exports?
- XLVII.2 Are these duties applied to exports on a non-discriminatory basis?

Reply XLVII

The three different levels of duty are applied for different purposes: the 3 per cent above the general duty on exports of crude oil and natural gas for fiscal purposes; the 2 per cent above the general duty for the municipality, in order to improve the municipal services through which exports are made, including the handling of shipments; and the 10 per cent above the general duty on exports despatched by post, for the same purpose as in the case of imports.

These duties are applied without discrimination of any kind.

II.A.4 IMPORT SUBSIDIES

Question XLVIII

- XLVIII.1 Does the "import subsidy" described consist of a partial or total exemption of the import from duty?
- XLVIII.2 Does this exemption extend to other border charges, such as the 3 per cent or 10 per cent charges?
- XLVIII.3 Is there a review of eligible products on a periodic basis?
- XLVIII.4 Who administers the programme?
- XLVIII.5 Are there export performance requirements attached to eligibility for the import subsidy?
- XLVIII.6 Are there any "import subsidies" that consist of actual financial grants to the importer and/or end user?
- XLVIII.7 Can the import subsidy be considered discriminatory in regard to quantity or origin?
- XLVIII.8 Is it intended to eliminate or alleviate this mechanism?

Reply XLVIII

The subsidy is granted on raw materials, parts and components, when domestic supply is insufficient owing to a fortuitous or accidental economic situation by reason of which national production facilities cannot supply the market; the shortage may also be of a structural nature, i.e. although production facilities are working at full capacity they cannot meet the demand. Consequently, this subsidy is not considered discriminatory, since it is only intended to relieve a temporary shortage. When the shortage is permanent, the tariff is revised so as to grant no subsidy and eliminate formalities.

The rate of subsidy is made to equalize the price of the imported product and that of the domestic product. In granting this subsidy there is no discrimination according to country of origin, capital structure of undertakings, etc.

The subsidy may be total or partial and does not extend to other charges such as the 3 per cent or 10 per cent duties.

This programme is administered by the Department of Trade and Industrial Development (SECOFI). It does not impose export requirements or require financial guarantees for the importer and/or end consumer.

Question XLIX

The document provides relatively few details on the actual operation of this mechanism introduced on 1 April 1985. We would be grateful for clarification.

Reply XLIX

The document requested is published annually. The text now in force was issued officially on 13 March 1986 and is annexed hereto.

DECISION AUTHORIZING A SUBSIDY ON THE IMPORT OF
RAW MATERIALS, PARTS AND COMPONENTS OF WHICH
THE DOMESTIC SUPPLY IS INSUFFICIENT

In pursuance of Article 13, Section I, paragraphs (f) and (n), of the Law on Federal Revenue for the Financial Year 1986, and exercising the powers referred to in Articles 31, Section IV, and 34, Section VI, of the Basic Law on Federal Public Administration, it has been decided to issue the following:

DECISION

Article 1. A subsidy is authorized up to 100 per cent of the ad valorem duty shown in the General Import Tariff, not including taxes for special purposes relating to raw materials, parts and components required for the priority industrial activities of the nation referred to in the "Decision Establishing Priority Industrial Activities", published in the Official Gazette of the Federation on 22 January 1986.

Article 2. The subsidy shall be enjoyed only by undertakings which satisfy the following requirements:

- I. To have fulfilled, where necessary, the obligation to register the undertaking, its foreign shareholders and the shares belonging to such shareholders or to Mexican companies which may have foreign associates within the meaning of the provisions of the Law to Promote Mexican Investment and Regulate Foreign Investment, and to have complied with the provisions of the Law on the Control and Registration of Transfers of Technology and the Use and Exploitation of Patents and Trade Marks.
- II. To have obtained, where necessary, registration under the appropriate Development Programme, if any, and to have complied with the commitments and conditions prescribed therein.
- III. To have fulfilled the requirements and obligations imposed on it by other legal provisions in force and, in particular, by those relating to taxation.

Article 3. The subsidy is granted in relation to imports of raw materials, parts and components for the exclusive and direct use of the undertaking which imports them, unless otherwise expressly authorized by the Department of Trade and Industrial Development, and only if domestic supply is insufficient to meet demand owing to lack of domestic capacity or production.

Article 4. In applying this subsidy, the Department of Trade and Industrial Development shall endeavour, where necessary, to equalize the import price, including freight, customs charges and specific duties, with the purchase price on the domestic market. The prices quoted shall be shown to be

genuine to the satisfaction of the authority, which shall apply the subsidy in accordance with the following general criteria:

- (a) In the case of raw materials, parts and components, when the domestic supply shows a permanent shortfall in relation to demand, due to insufficient installed production capacity;
- (b) In the case of raw materials, parts and components, when the domestic supply is normally sufficient to meet demand, but owing to economic conditions shows an imbalance in relation to demand;
- (c) In the case of products imported under a generic provision, which, in the opinion of the Commission on Tariffs and Control of Foreign Trade, should receive different control and tariff treatment.

No subsidy shall be granted when the CIF import price is below the domestic price or when the duty applicable is 10 per cent or less.

Article 5. Those desirous of receiving the subsidy shall submit an application to the Department of Trade and Industrial Development, together with the special questionnaire issued by that Department duly completed and with the corresponding annexes.

Applicants must prove to the Department of Trade and Industrial Development that they satisfy the requirements and conditions laid down for the granting and enjoyment of the subsidy.

Article 6. In order that beneficiaries may enjoy the subsidy as soon as possible, the Department of Trade and Industrial Development shall examine the applications submitted in accordance with the provisions of Article 5 above, and make the corresponding decision within a period of not more than thirty working days from the date on which the duly completed application was accepted.

The decision shall be communicated to the Department of Finance and Public Credit as well as to the interested party; if the subsidy is granted, that Department shall issue the corresponding authorization for definitive application of the subsidy in each concrete case, within a period not exceeding five working days from the date of receipt of the decisions concerned. The positive decisions received by the Department of Finance and Public Credit must be accompanied by a copy of the technical report and of the application concerned.

Article 7. If the decision is negative, the Department of Trade and Industrial Development shall communicate it to the interested party with a statement of reasons, within a period not exceeding twenty working days from the date of receipt of the application.

Article 8. This subsidy shall not be cumulative with any other fiscal stimulus for imports, shall not generate credit with the Federal Treasury and hence shall not give rise to any refund of, or deduction from, taxes payable or which have been paid by the beneficiaries.

Article 9. The beneficiaries shall be required to provide any information requested of them by the Department of Trade and Industrial Development or by the Department of Finance and Public Credit within the period notified to them and to give the staff of those departments the necessary facilities for inspection, surveillance and evaluation relating to the application of the subsidy.

Article 10. If the beneficiary does not fulfill the obligations imposed on him by this decision or ceases to satisfy the requirements or conditions justifying the granting or enjoyment of the subsidy, he shall lose the right to continue enjoyment of its benefits, which shall be cancelled. If the Department of Trade and Industrial Development decides on such cancellation it shall communicate that decision to the Department of Finance and Public Credit which shall terminate the corresponding fiscal credit and take the necessary measures to collect from the beneficiary the taxes unduly credited and the applicable surcharges as provided in the Fiscal Code of the Federation, without prejudice to imposition of the fines prescribed by law.

Article 11. Beneficiaries shall inform the Department of Finance and Public Credit half-yearly, on the forms provided for that purpose, of the amounts credited as subsidy while the subsidy is payable.

Article 12. Beneficiaries of the fiscal incentives established by this Decision shall pay, as a surveillance charge, an amount equivalent to 4 per cent of the amount of the benefit granted as stated in the relevant decision, in accordance with the Federal Law on Duties.

The amount mentioned shall be covered by a single payment within a period not exceeding twenty working days from the date of application of the subsidy. The payment shall be made to the Bank of Mexico, its branches, agents or correspondents and shall be notified to the Department of Finance and Public Credit. This shall be done on the prescribed forms and the information requested shall be submitted.

Article 13. The Department of Finance and Public Credit and the Department of Trade and Industrial Development may jointly issue the general rules necessary for the application of this Decision. The Department of Trade and Industrial Development shall settle any concrete cases which may arise, in accordance with these general rules.

TRANSITIONAL PROVISION

Sole Article. This Decision shall enter into force on 1 January 1986, and shall not remain in force beyond 31 December of this year.

Mexico, D.F., 1 January 1986. - (Signed) Jesus Silva-Herzog F.,
Secretary of Finance and Public Credit. - (Signed) Hector Hernandez
Cervantes, Secretary of Trade and Industrial Development.

Question L

With regard to imports of raw materials, parts and components, by whom and on what basis is the adequacy of national supply determined?

Reply L

The Department of Trade and Industrial Development is the authority which, acting upon request by the interested party, determines domestic production to be inadequate, whether in respect of the volume produced, quality, or some technical characteristic of the product.

The determination that domestic supply of any product is inadequate is made on the basis of a case-by-case investigation; the sources used are producer undertakings, consumer undertakings as well as the professional chambers associated with domestic industries, and likewise the characteristics of the product mentioned by the undertaking or person wishing to import.

II.A.5. RULE 8 SYSTEM

Question LI

- LI.1 What are the provisions of the Rule 8 System? How does it operate?
- LI.2 What constitutes special customs treatment under these provisions?
- LI.3 Who determines the eligibility of undertakings for this programme?
- LI.4 What constitutes a "development programme" for the purposes of the Rule 8 System?
- LI.5 Are importers using the Rule 8 System?
- LI.6 Who registers undertakings as engaging in development programmes?
- LI.7 Is there a list published as to what precise products can benefit from this Rule and on what conditions?

Reply LI

Rule 8 provides for a tariff rate of 5 per cent and 10 per cent on imports of parts and components carried out by manufacturers of capital goods and other strategic goods to supplement their production.

The "development programme" comprises a set of guidelines laid down by the Department of Trade and Industrial Development to guide the development of certain industries. Undertakings which agree to draw up those guidelines with the Department are eligible for Rule 8 treatment in respect of their output intended for the domestic market.

There is no specific list of products which can be eligible for Rule 8 treatment, since they are parts needed for the manufacture of capital goods and other goods. At the present time, 42 tariff sub-divisions are covered by the rule, involving a range of various industries.

II.A.6 PROTECTION RATIONALIZATION POLICY

Question LII

- LII.1 When the domestic market is opened to imports, which sectors will be liberalized? To what extent? Which sectors does Mexico intend to protect?
- LII.2 Which products must remain subject to the prior import permit requirement on a more or less permanent basis?
- LII.3 How does Mexico plan to justify these restrictions in terms of GATT Articles?
- LII.4 Which regulations and legal provisions make the maintenance of these barriers necessary?
- LII.5 Explain more fully in what way conditions prevailing both in the international economy and at national level in respect of specific industrial sectors and products will affect policies to reduce protection.

Reply LII

As mentioned in the Memorandum on Mexico's foreign trade régime, from the outset of the present administration a series of measures were adopted with a view to establishing a more open market. This exercise is not aimed at total and indiscriminate liberalization of the Mexican market, since economic development objectives oblige us to maintain some degree of protection in certain sectors and on certain products, as mentioned in the Memorandum in connection with global programmes for industrial and trade development.

It should be mentioned that in the light of trends in the domestic and international economy, the elements of protection contained in these programmes could gradually be modified, and if necessary different ones could eventually be adopted. In this sense, the Mexican Government will comply with the provisions and commitments applicable to it as a developing contracting party.

Products affected include agricultural products, strategic products, those needed for national defence and for public health, together with sensitive products such as those covered by the decrees on the motor-vehicle and pharmaceutical industries.

Mexico considers that these measures are consistent with various provisions of the General Agreement since they are applied in a non-discriminatory manner and represent measures for attaining economic development objectives (Articles XI, XVIII and Part IV of the GATT).

The strategy for opening the Mexican economy to the outside world, and in particular the protection rationalization policy, is based on long-term objectives which would allow transformation of the efficiency and competitive capacity of domestic industry.

The internal environment for this policy is determined by Mexican industry's capacity to absorb gradual changes in its production structure and this implies a series of measures which do not impair the structure of industry, the level of employment and investment, etc.

At international level, an unfavourable situation, e.g. hardening of protectionism in developed countries or greater proliferation of unfair practices in foreign trade, would obviously not be consistent with more speedy advance on reforms in the trade protection system of the Mexican economy.

II.B.2 IMPORT AND EXPORT PERMITS

Question LIII

- LIII.1 Does Mexico intend to modify administrative practices relating to the operation of its import quota system, so as to facilitate its foreign trade?
- LIII.2 How does Mexico operate its import quota system?
- LIII.3 What imports are currently under quota?
- LIII.4 On what basis are quota levels established?
- LIII.5 How does Mexico plan to justify the application of these quotas under GATT Articles after accession?
- LIII.6 What provisions are made for growth in imports?
- LIII.7 What was the value of Mexican imports under quota in 1980? In 1985?
- LIII.8 How are quotas allocated for products covered by LAIA agreements or other special trade arrangements?

Reply LIII

Basically, import quotas are established in respect of products the domestic production of which is not sufficient to cover domestic demand. Administrative procedures have been established so that the allocation of quotas among importers is as fair, equitable and transparent as possible in relation with the needs of each importer. The import quotas established for 1986 were published in the Official Gazette of the Federation on 4 February 1985.

At present, Mexico established quotas for a small number of products, the domestic supply of which is inadequate. The aim is to ensure that authorization will be granted for the import of sufficient volumes to meet domestic demand, and to make transparent the bases and criteria for quota distribution among importers.

Annexed hereto is the text of the Decision establishing import quota levels for 1986, defining the products covered by this system and the way in which the quotas are administered.

Quota levels are established on the basis of consumption of the product in the previous year plus an adequate margin to cover the increase in demand, provided that conditions in regard to production, market and foreign exchange availabilities permit.

The quotas are applied in a non-discriminatory manner and will be adjusted, if necessary, in accordance with commitments taken on by Mexico in this regard once it is a contracting party to GATT. In any case, Mexico considers that application of these quotas is justified by the relevant provisions of the General Agreement.

The value of Mexico's imports under quota was US\$1,589 million in 1984 and US\$1,796 million in 1985.

Quotas for products negotiated under LAIA agreements are allocated among all interested importers in such a way as to ensure that they are fully taken up.

There are no other special agreements providing for the establishment of quotas.

ANNEX

Department of Trade and Industrial Development

DECISION FIXING IMPORT QUOTAS FOR THE GOODS INDICATED
DURING THE PERIOD 1 JANUARY TO 31 DECEMBER 1986

In pursuance of Article 16 and 34 of the Organic Law of the Federal Public Administration, Section 1:II(b) and 2, Section II of the Law establishing implementing provisions for Article 131 of the Constitution of the United Mexican States in relation to foreign trade, and 2 and 14 Section II of the Regulations on Permits for the Import or Export of Goods Subject to Restrictions, the two latter instruments having been published in the Official Gazette on 13 January 1986 and 14 September 1977, respectively, and

WHEREAS

It is in the general interest to facilitate the import of essential goods to supplement domestic supply, support producing industry and guarantee proper supply of consumer needs;

It is appropriate that undertakings be able to programme their imports to ensure the continuity of their producing activities, for which purpose it is necessary to establish quotas for the import of goods which are not produced in the country or the domestic manufacture of which is inadequate, with criteria for their distribution among importers on bases of equity, transparency and security; the Department of Trade and Industrial Development hereby issues the following.

Decision Fixing Quotas for the Import of the Goods Indicated

DECISION FIXING QUOTAS FOR THE IMPORT OF THE GOODS INDICATED
DURING THE PERIOD 1 JANUARY TO 31 DECEMBER 1986

Article 1 - During the period 1 January to 31 December 1986, the import is authorized of the following goods in the volumes or values indicated below:

Heading number	Product	Volume	Value in US\$'000
28.94.A.007	Phosphorous, red or amorphous	120 tons	600
40.01.A.001	Natural rubber latex	60,000 tons	65,000
40.01.A.002			
47.01.A.001	Fibrous raw materials for the paper		
47.01.A.002	industry	850,000 tons	230,000
47.01.A.005			
47.01.A.006			
47.01.A.008			
47.02.A.001			
47.02.A.002			
84.53.A.001	Calculating equipment		350,000
84.53.A.002			
84.53.A.003			
84.53.A.004			
84.55.A.009			
84.55.A.010			
84.06.A.008	Used motor-vehicle parts		6,500
84.06.B.004			
84.06.B.034			
84.63.B.002			
84.63.A.003			
85.08.A.011			
85.08.A.012			
87.06.A.018			
87.06.A.019			
87.06.A.020			
87.06.A.021			
87.06.A.025			
87.06.A.027			
87.06.A.035			
87.06.A.044			
87.06.A.063			
87.06.A.074			
87.06.A.087			
87.06.A.999			
84.06.A.011	Used diesel engines, not rebuilt, of		
84.06.A.012	185 hp but not more than 500 hp	600 units	1,200

Article 2. - The quotas in this Decision shall be distributed through import permits in accordance with the following guidelines:

I. PHOSPHOROUS, RED OR AMORPHOUS

(a) To undertakings manufacturing matches, in accordance with the regulations for the manufacture of matches, published in the Official Gazette of the Federation on 25 September 1940, and revisions and additions thereto of 20 April 1950.

(b) To undertakings intending to use the product other than for the manufacture of matches, in accordance with their justified consumer needs.

In both cases the interested parties must attach to their import permit applications a favourable opinion regarding the import on the part of the Ministry of National Defence.

II. NATURAL RUBBER LATEX

To manufacturers and distributors in the rubber industry, in accordance with their past consumption performance and having regard to domestic supply of natural rubber latex.

III. FIBROUS RAW MATERIALS FOR THE PAPER INDUSTRY

To consumer undertakings, account being taken of domestic supply of fibrous raw materials and the needs of the parties concerned, and after hearing the opinion of the National Chamber of the Paper and Pulp Industry.

IV. CALCULATING EQUIPMENT

The quota shall be distributed as follows:

	<u>\$'000</u>
Manufacturers	280,000
Distributors	17,000
Direct users	25,000
Public-sector bodies and entities	28,000
TOTAL	<u>350,000</u>

(a) Manufacturers, on the basis of manufacturing programmes authorized by the Directorate-General of the Metal Engineering and Capital Goods Industry.

(b) Distributors, exclusively for enlarging the capacity of existing equipment in the country for types and classes of which there is no substitute domestic manufacture, provided application signed by the end user are furnished.

(c) Direct users, equipment for which types and classes of which there is no substitute domestic manufacture.

(d) Public-sector bodies and entities, provided that the Department of Planning and Budget confirms that there are no domestic substitutes in accordance with the provisions of the Decision defining the procedure under which public-administration bodies and entities obtain prior authorization for the acquisition of goods of foreign origin, published in the Official Gazette of 20 January 1986.

V. USED MOTOR-VEHICLE PARTS

(a) Natural or legal persons engaged in the purchase and sale of used motor-vehicle parts may obtain a maximum quota equivalent to 25 per cent of their sales reported in their VAT declarations for 1985, subject to a maximum equivalent to \$80,000 per importer.

(b) Transporters and direct users, in accordance with their duly justified needs.

VI. USED DIESEL ENGINES FOR USE IN MOTOR-VEHICLES, NOT REBUILT, OF 185 TO 500 HP

(a) Natural or legal persons engaged in the purchase and sale of used parts, provided they have installations to carry out the rebuilding or can show that they have this done in independent workshops. New importers shall be entitled to a quota subject to proof that they have been engaging in this activity for at least one year, the maximum quantity authorized for them to be eight units.

(b) Direct users and transporters, subject to proof that they have vehicles requiring these engines: in accordance with their justified needs.

Article 3. - Import permits shall be granted for six-monthly needs, except in the case of phosphorous, red or amorphous, and used motor-vehicle parts, in respect of which a permit may be granted for annual needs.

Article 4. - Import permits shall be valid for nine months, but not beyond the date of 31 March 1987. Permits valid until 31 March 1987 may not be extended.

Article 5. - The imported goods referred to in this Decision which are incorporated in export products or are intended to supply the country's free zones and frontier areas shall not be taken into account for the purposes of the present quotas.

Article 6. - The import quotas established may be modified if market conditions so require.

TRANSITIONAL PROVISION

Sole Article. - The present Decision shall enter into force as from 1 January 1986.

Mexico City, 24 January 1986

II.B.1 FOREIGN TRADE LAW

Question LIV

- LIV.1 What is the mandatory character of the Foreign Trade Law?
- LIV.2 Could Mexico explain how its new law on subsidies and countervailing duties takes account of GATT Articles and of the relevant GATT Code provisions?
- LIV.3 Is it Mexico's intention to accede to the Code on Subsidies?
- LIV.4 What are the limits of the Foreign Trade Law for making imports subject to the prior permit requirement?
- LIV.5 How does it relate to GATT Articles XII and XVIII?
- LIV.6 How does it relate to GATT Articles VI and XVI?
- LIV.7 How does it relate to GATT Article XIX?
- LIV.8 How does it relate to GATT Articles XX and XXI?
- LIV.9 Indicate which controls are currently in effect in respect of each of the above four questions.
- LIV.10 What is meant by "practices accepted internationally"?

Reply LIV

The Foreign Trade Law delegates certain powers to the Federal Executive concerning the administration of Mexico's foreign trade.

The mandatory character of the Foreign Trade Law stems from the nature of Mexico's legal system in the sense that the Executive is obliged to establish implementing provisions for all legislation and carry them out. The Foreign Trade Law uses the word "shall" in referring to the powers conferred on the Federal Executive in regard to restrictions, and accordingly the exercise of those powers is not arbitrary action by the authority, but is covered by a mandatory provision.

In general terms, even though Mexico is not at present a contracting party to GATT nor a signatory of the Codes, it participates actively in international trade and has broad experience in the application of similar legislation to its exports. In this context, one can state that a great part of the provisions and the procedures of the Foreign Trade Law include elements compatible with internationally accepted practises (the text of Mexico's Foreign Trade Law has already been sent to the secretariat). Basically, the instrument used to check imports at dumping prices or imports of subsidized goods consists of a countervailing charge or duty.

Since the Law was drawn up taking into account the international provisions in force in this respect, its relationship with the corresponding Articles of the General Agreement is one of compatibility.

For the moment, the Mexican Government's objective is to become a contracting party to the General Agreement as the central axis of the GATT system; it is not at present contemplating the possibility of acceding to the Codes.

Article 5 of the Foreign Trade Law stipulates the situations or circumstances that justify the establishment of prior permits for imports; outside those situations, there is no authority to impose this requirement.

Question LV

- LV.1 Does the Foreign Trade Law mandate import permits when another country has taken a safeguard measure which covers a Mexican exporter or is there an element of discretion?
- LV.2 Are those measures compatible with GATT Article XIX?
- LV.3 Does the possibility exist of applying selective measures of protection?

Reply LV

Article 5:IV of the Law stipulates that imports may be made subject to prior permit inter alia by way of retaliation for restrictions applied unilaterally by third countries on Mexican exports.

Mexico considers that, once it is a contracting party, any measures adopted under Article XIX will be implemented through Article 5:IV of that Law.

The selective measures of a general character provided for in the Foreign Trade Law will be applied in a non-discriminatory way consistently with Mexico's trade policy.

Question LVI

- LVI.1 Are foreign governments allowed an opportunity to consult with the Mexican authorities prior to initiation of any investigation of unfair practices?
- LVI.2 Are provisional measures imposed after a preliminary affirmative finding?
- LVI.3 If so, how can this be practically accomplished in five days only?
- LVI.4 What is the process and who determines the preventive character of the measure to counteract unfair practices, and injury to domestic industry or the national economy?
- LVI.5 How do preventive measures to counteract unfair practices relate with official prices?
- LVI.6 What are the criteria for imposing a preventive measure?
- LVI.7 Does the official price mechanism take account of the criterion of sales of the goods in commercial quantities?
- LVI.8 What is meant by identical and similar product in the definition of dumping, and in proof of injury?
- LVI.9 Please give fuller details as to how the price of a similar product is determined, including any adjustments to take account of quantities, taxes and other factors.
- LVI.10 Are provisional duties applied up to six months following the opening of an investigation?
- LVI.11 What is the minimum period?
- LVI.12 Is there a provision that any injury be material?
- LVI.13 Does suspension of countervailing duties entail price undertakings by exporters?
- LVI.14 Under the Mexican Law, can the anti-dumping or countervailing duty be lower than the price difference in the case of dumping, or than the amount of the subsidy received?

- LVI.15 In determining the existence of injury, are the relevant duties applied taking into account only the producers requesting the investigation, or the whole domestic industry?
- LVI.16 In the event that Mexico signs the Code on Subsidies, will Article 14 of the Foreign Trade Law, regarding proof of injury, be revoked?
- LVI.17 Will the "proof of injury" be applied to all contracting parties from the moment of Mexico's accession to the GATT?

Reply LVI

The Law does not mention prior consultation with foreign governments, for it is considered impossible to foresee when an investigation will be requested. The Mexican Government always considers positively any request for consultations.

The Foreign Trade Law of Mexico provides for the application of preliminary measures while the investigation is being conducted and pending the definitive determination, as in most national legislations.

The very nature of preliminary or preventive measures, and their application within five days following receipt of the relevant request, means that when the amount of the countervailing duty is determined definitively, the deposits or sureties, as the case may be, can be refunded or not, in full or in part, to importers who have chosen to continue to carry out imports during the period of the investigation.

The minimum period for the application of countervailing duties on a provisional basis is the duration of the investigation, which can be six months at most.

As indicated in the Law, the Department of Trade and Industrial Development is the body which determines the preliminary or definitive character of measures adopted to counteract unfair trade practices.

The process for adopting such measures is indicated in the text of the Law. Since it was promulgated until recently, more detailed implementing regulations are in the process of being drawn up.

Until the administrative authorities concerned acquire experience in implementing the Law, official prices will continue to be used but in a declining manner. The preventive measures for which the Law provides are intended to replace official prices.

The criteria for imposing a provisional measure include, inter alia, submission of a request for investigation and a decision, after rapid analysis of the information by the Department of Trade and Industrial Development, that the measure is appropriate.

In fixing official import prices account is taken of the criterion of sale of the goods in commercial quantities; the definition to be applied in the context of the Foreign Trade Law will be the one set forth in Mexico's Customs Law. That definition is based on the elements envisaged in the various international instruments on this subject.

Elements such as price adjustments to take account of quantities, taxes and other factors, even though implicit in Article 7, may be the subject of detailed implementing regulations for the Law, which are currently in preparation.

In principle, the possibility exists for provisional countervailing duties to be applied for up to six months. At the end of that period the authority is obliged to make a definitive decision, which will be applicable until such time as the unfair practices are declared to have ceased. The minimum period would be thirty days from the beginning of the investigation.

Article 14 of the Foreign Trade Law states that where international agreements on the subject exist, countervailing duties will be imposed only on imports which are causing or threatening injury or prejudice to domestic production or hampering the establishment of industries.

The Law does not provide for the concept of "material injury". Nevertheless, this could be the subject of agreements with foreign governments under Article 14 of the Law.

Article 19 provides the possibility of suspending the application of countervailing duties if price undertakings or an undertaking to eliminate subsidies, given by the exporter or the country concerned, have the effect of eliminating the elements of unfair practices mentioned in the Law.

This would be the stage for consultation and negotiation with foreign exporters or governments, in parallel with the investigation process.

The Law does not make provision for the anti-dumping or countervailing duty to be less than the dumping or subsidization margin.

Upon implementation of Mexico's new Foreign Trade Law the application of anti-dumping or countervailing duties cannot be restrictive in respect of domestic producers, since a differentiation of this kind would not fulfil the objectives pursued and is not consistent with international practices.

In the event that Mexico signs the Subsidies Code, the administrative authority will apply Articles 14 and 15 of the Law vis-à-vis signatories of that Code.

Mexico's accession to GATT does not necessarily imply the extension of "proof of injury" to contracting parties which do not grant it under the provisions of the General Agreement. In such cases, Mexico would apply "proof of injury" subject to existence of reciprocity.

Question LVII

What is the distinction between "domestic" and "export" subsidies in Mexican development and trade programmes? Could the Mexican authorities provide concrete examples of these distinctions?

Reply LVII

The plans and programmes for industrial development and foreign trade recognize the need to rationalize the use of subsidies in the context of action to restore public finances to a sound basis. PROFIEX recognizes this policy and expresses the decision to comply with internationally accepted provisions in the implementation of support schemes for foreign trade. In fact, the export incentive schemes established under PROFIEX aim at affording a neutral status for exportable production.

On the other hand, PRONAFICE provides for the application of fiscal incentives to investment and for generating employment in priority areas to support regional development and encourage the production of basic consumer articles. In addition, technological development is being promoted through fiscal supports in the context of the industrial development policy. Inter alia, PRONAFICE stipulates (page 157) that "export aids which are accepted internationally will continue to be granted, such as exemption from VAT and refund of charges on imports of inputs incorporated in such goods".

Accordingly, without prejudice to the internationally recognized rights of developing countries to apply incentives of various kinds in order to promote their economic, industrial and trade development, at the present time the Mexican Government is not applying any policy of export subsidies.

Question LVIII

- LVIII.1 Please briefly describe the requirements for obtaining a prior import permit.
- LVIII.2 Are such permits granted only after a determination that there is insufficient domestic production to meet demand?
- LVIII.3 To what extent may prior permits be obtained in excess of actual importation?
- LVIII.4 Could Mexico explain in more detail the conditions under which import or export prior permits would be required for the support of public order?
- LVIII.5 For unfair import practices, which unfair practices are being referred to?
- LVIII.6 Are imported goods and domestic goods treated equally with respect to restrictions imposed for human, animal, and plant health reasons?
- LVIII.7 Does Mexico regulate imports for any of the other purposes cited in Article XX of the General Agreement?

Reply LVIII

For the grant of export permits, no account is taken of the price of the exportable product.

The procedure followed in Mexico for granting import permits is spelt out in the Regulations on Permits for the Import or Export of Goods Subject to Restrictions, dated 14 September 1977, the text of which is available for consultation at the GATT secretariat. They comprise a simplified process which includes presentation of a single form for export or import, with twenty-three basic entries. The procedure includes examination of the application, its processing and examination followed by announcement of the decision which may be grant of the permit, automatic refusal, or a specific decision.

These permits are granted even where domestic production exists. Import permits may be granted in excess of actual imports to the extent that domestic demand increases and domestic production cannot cover it.

Measures in support of public order are those implemented in order to protect public morality, the proper functioning of national institutions and protection of the integrity and stability of society; they are not hidden restrictions on international trade.

Mexico considers unfair trade practices to be those recognized as such at international level, namely dumping and subsidization.

The restrictions applied in Mexico for human, animal and plant health reasons are the same in respect of domestic products as for imported products.

In Mexico, the imports referred to in Article XX of the GATT are regulated in one way or another.

II.B.2 IMPORT AND EXPORT PERMITS

Question LIX

Could Mexico reply to the questionnaire on import licensing procedures to facilitate examination of its foreign trade régime?

Reply LIX

The Mexican Government considers that the Memorandum clearly explains the bases underlying application for and grant of import licences.

Furthermore, the questionnaire referred to is addressed to signatories of the relevant Code, and for this reason we do not consider it necessary to reply to it for the purposes relating to negotiations for accession to GATT.

Question LX

What is meant by "to regulate imports in general, taking into account foreign exchange availabilities and the country's industrial and consumer needs"?

Reply LX

The regulations on the issue of permits are designed to ensure transparency in the relevant administrative procedure, eliminating discrimination by establishing treatment of a general character, taking into account for these criteria both the protection of industry and the benefits that imports represent for the domestic consumer, and where relevant, their impact on foreign exchange availabilities.

Question LXI

- LXI.1 Is there a precise timetable for transferring prior permits into tariff protection?
- LXI.2 What is the composition of trade in capital goods subject to import permits?
- LXI.3 What percent of Mexico's imports of food items and agricultural inputs are subject to prior permits?
- LXI.4 Does Mexico intend to phase out the prior import permit system? Over what time period?
- LXI.5 Why do certain products remain subject to the prior permit system, and what are they?

Reply LXI

As pointed out in the National Programme for Industrial Development and Foreign Trade (PRONAFICE), "over the medium term the tariff will become the principal instrument of protection policy of prior permits being maintained in strategic or sensitive sectors for economic or social reasons, or when international competitive conditions so require". Once that objective is reached, there is no timetable for converting prior permits into tariff protection.

For the short term, the possibility of continuing the process of replacing prior permits by tariffs will depend on a careful selection of the specific sectors or products in which there is a structural or compelling reason for their imports to be dealt with under the prior-permit system, either for reasons of economic-social priority - as in the case of some agricultural products, motor-vehicles and pharmaceuticals - or for public-interest or strategic considerations - as in the case of products harmful to health and arms and munitions (see chart).

Of the 816 sub-divisions subject to prior import permit, 414 relate to intermediate goods, representing 25.2 per cent of the value of imports; 297 such tariff sub-divisions cover consumer goods, which account for 6.1 per cent of imports; while capital goods subject to prior import permit through 105 sub-divisions represent 3.5 per cent of the value of imports.

Food and agriculture products, mainly in the farming, single marketing channel and fish categories, are grouped in 116 tariff sub-divisions, representing 12.7 per cent of total imports.

Question LXII

- LXII.1 In administrating the prior permit system, does Mexico ensure that no additional restrictive effects on trade occur?
- LXII.2 Does Mexico apply the provisions of the Licensing Code?
- LXII.3 Will Mexico accede to the Code?

Reply LXII

Administration of the prior permit system is aimed at activating trade and not at constituting additional obstacles. The objectives of this measure converge with those of the Licensing Code, although the latter's provisions are not expressly applied since Mexico is not a signatory of the Code.

For the time being, the Government of Mexico is desirous of becoming a contracting party to the General Agreement, and is not in a position at present to consider its accession to the Code.

II.B.3 FEDERAL LAW ON FEES

Question LXIII

- LXIII.1 Why does Mexico collect separate fees for the processing and the issuance of permits?
- LXIII.2 Explain the rationale for collecting a fee of Mex\$2,000 for processing the import permit application, and 0.6 per cent on the value of the goods authorized in the permit.
- LXIII.3 How is the cost of the service rendered to the importer by the Department of Trade and Industrial Development determined?
- LXIII.4 Is the 0.6 per cent charge and the Mex\$2000 fee levied on imports covered by the Montevideo Treaty of 1980?

Reply LXIII

Article 74 of the Federal Law on Fees establishes the obligation to pay for the services rendered in connection with import applications and permits. In other words, the State charges for rendering a service in its public-law functions: analysis of, and opinion on, the application by specialists in the subject in accordance with established criteria, which must be constantly updated in keeping with the dynamics of foreign trade; and utilization of documents and equipment in issuing permits. For processing the application, the latest amendments to the Law (December 1985) establish a fee of Mex\$3,500 as from 1 March 1986. For issuing the permit, the rate is 6 per mil (0.6 per cent) based on the declared and authorized value of the goods to be imported, which too is considered as payment to the administration for services received.

Products negotiated in LAIA that are subject to the prior permit also pay these fees.

Question LXIV

Why is the charge levied under the Federal Law on Fees applied only to the importer, since the exporter also makes use of the same service?

Reply LXIV

The Federal Law on Fees deals not with taxes or duties but with fees, i.e. payments to the State in return for services rendered in its public-law functions, or for the use or enjoyment of property in the public domain or belonging to the nation.

The Law provides for the payment of fees only for the processing and issuing of import permits. An exporter does not pay such fees for the following reasons: The number of controlled tariff sub-divisions is very small - approximately 250 - and imposition of such a charge as a rule is not justified, in view of what is an exception. Above all, however, as regards exports, the permit is maintained in most cases to comply with international agreements, as in the case of coffee, or when the importing countries establish quotas, as in the case of the Multifibre Agreement or of steel products, on which the United States has set quotas. The criteria for authorization are automatic and general.

Question LXV

What are the charges for the exporter which the most recent amendments to the Customs Law are designed to eliminate?

Reply LXV

The amendment to the Customs Law that entered into force on 1 January 1986 eliminated the 2 per cent surtax on general duty that had been applied to temporary imports connected both with exports and imports. This is an example of the permanent policy followed by the Government of Mexico in eliminating unnecessary charges on the exporter while taking care that such measures remain within the limits of what is acceptable internationally. Moreover, as a means of facilitating exports, the Government of Mexico will continue to revise charges on the exporter that can be eliminated or rationalized.

II.C.1 NORMAL VALUE OF GOODS

Question LXVI

- LXVI.1 Is the definition of the normal value of goods compatible with the provisions of Article VII of the General Agreement?
- LXVI.2 Does that value comprise the transaction value?
- LXVI.3 How is the normal value verified?

Reply LXVI

The definition of normal value of goods, in the existing Customs Law (Article 48), is based on the Brussels Customs Co-operation Council's concept of value. The definition of normal value is therefore compatible with Article VII of the General Agreement.

Normal value covers the transaction value, since it is established basically from the invoice price paid or payable under fully competitive conditions.

The normal value of goods is taken to be that shown to be their value on the date of their arrival in Mexican territory, as a consequence of a sale made under freely competitive conditions between a buyer and a seller independent of one another. In establishing normal value no account is taken of normal price fluctuations if the goods reach Mexico within a period of three months from the date of acquisition.

Question LXVII

How does the Customs Law determine the value for duty of imported goods when it is not possible to ascertain "normal value" because of lack of free competition, e.g. valuing goods traded between transnational companies?

Reply LXVII

The Customs Law contains various methods of valuation, which are successive and mutually exclusive, in determining the normal value of goods:

- (1) the invoice price paid or payable;
- (2) the usual competitive price;
- (3) the probable selling price in Mexican territory;
- (4) the actual selling price in Mexican territory;
- (5) a price equalling the total leasing charges.

If none of the above methods can be used, the normal value will be based on the appraisal of the authorities.

Question LXVIII

Ad valorem duty is levied on the normal value of goods on an f.o.b. basis. The normal value is determined to be value of merchandise on the date of its arrival in the customs territory of Mexico. We would appreciate additional information with respect to what Mexico considers "customs territory". Is it the same as national territory?

Reply LXVIII

Yes, they are synonymous in determining normal value.

II.C.2 OFFICIAL PRICES

Question LXIX

- LXIX.1 During official pricing investigations, do the foreign exporter and Mexican importer have the right to representation before the Department of Trade and Industrial Development?
- LXIX.2 How long is the period of time between the preliminary and final decisions in official pricing investigations?
- LXIX.3 What is the status of the imported product's valuation during this period?
- LXIX.4 Is it the intent of current Mexican regulations covering the application of "official prices" that they reflect the wholesale prices in effect in the country of principal supply?
- LXIX.5 Are any other methods used to determine official prices?
- LXIX.6 How does Mexico establish "transaction prices in international trade" for this purpose?
- LXIX.7 Concerning the use of "official prices" to combat unfair trade practices, is official price valuation applied to all goods that enter under the tariff categories subject to official prices, or are they applied only against those imports originating in countries or from entities utilizing unfair trade practices?
- LXIX.8 How will Mexico justify the application of the provisions of Article IV of the General Import Tariff Law in the context of the provisions of Articles VI and XVI of the General Agreement?
- LXIX.9 What factors are taken into consideration before extending the ninety-day official pricing period?

Reply LXIX

The Department of Trade and Industrial Development hears the views of foreign exporters and Mexican importers during the process of determining official prices. There is no preliminary and final decision in determining official prices; the object is to fix them as soon as possible.

Until an official price is fixed, normal valuation procedures apply.

As the Memorandum states, for determining the official price "the basis is the wholesale price in the market of the principal country exporting to

Mexico, such base price not to be lower than the price that the same goods could obtain in a free market".

The methods used to determine official prices are those indicated in the Memorandum and in the present replies.

To establish the transaction price for this purpose, Mexico takes as reference the price of the product in the principal supplier country.

The official prices are established for all imports covered by the tariff sub-division concerned, without discrimination as to origin.

The Government of Mexico believes that, until it acquires a certain amount of experience in the application of remedies for unfair trade practices and possesses the necessary infrastructure as regards international-price data, official prices may continue to be used for two years, as from 1 January 1986 in order to prevent such practices.

Before eliminating the official price at the end of the ninety-day period, the factors taken into consideration include basically the investigation to determine whether the causes which led to their establishment continue to exist, and it is then that it is decided whether to extend their validity or to terminate them.

Question LXX

- LXX.1 Are exports subject to the same customs valuation procedures as imports for the purpose of assessing duties and other charges?
- LXX.2 How are official prices determined for exports?

Reply LXX

The dutiable base of the general export tariff is the commercial value of the goods at the place of sale, which must be indicated in the commercial invoice without inclusion of insurance and freight. Where there is an official price for the export goods, it applies if it is higher than the commercial price.

For fixing or modifying official prices for exports, the basis taken is the price prevailing on the international market. To obtain the wholesale price, account is taken of data contained in commercial documents, specialized periodicals and reviews, catalogues, price-lists, average unit values in export statistics and any other source that may serve the purpose.

EXPORT TARIFF SUB-DIVISIONS WITH OFFICIAL PRICES
AS AT 10 APRIL 1986

Sub-division	Description
0102a01	Male animals with selected-breed certificate for reproduction of the bovine species.
0102a02	Female animals of the bovine species with selected-breed certificate.
0102a03	Female animals other than those falling within sub-division 0102a02.
0102a04	Male animals weighing 125 kg. or less.
0102a05	Male animals weighing more than 125 kg. and less than 200 kg.
0102a06	Male animals weighing 200 kg. or more.
0102a08	Castrated steers, for rodeo performances.
0102a99	Other (Live animals of the bovine species).
0106a03	Rattlesnakes.
0106a04	Land turtles.
0106a06	Sweet- and salt-water tortoises.
0303a03	Prawns and shrimps from the Gulf of Mexico.
0303a04	Prawns and shrimps from the Pacific.
0901a01	Green coffee beans with husks.
0901a02	Green coffee beans without husks.
0901a03	Roasted coffee in hermetically sealed container.
0901a04	Roasted coffee beans or ground coffee, except 0901a03.
0901a06	Decaffeinated coffee beans.
0901a99	Other.
1303a01	Opium extract; prior permit of the SSA.
1506a01	Tortoise oil or fat.
2102a01	Extracts of decaffeinated coffee.
2102a02	Extracts of coffee containing caffeine.
2102a99	Other.
3001a01	Human blood.
3001a02	Normal human antiserum.
3001a03	Normal human plasma.
3001a06	Human globule packets.
3001a99	Other (organo-therapeutic glands and other organs).
4101a01	Tortoise or Caribbean-turtle skins.
5501a01	Raw cotton, unginne.
5501a02	Raw cotton, ginned.
9905a15	Objects of historical, palaeontological or ethnographical interest.
9906a01	Antiquities, when exported with a permit from SEP.

Source: General Export Tariff.

II.D MEASURES TO COUNTERACT UNFAIR PRACTICES

Question LXXI

What are Mexico's intentions regarding accession to the Anti-Dumping Code?

Reply LXXI

The Government of Mexico has decided to accede to the General Agreement and is engaged in negotiations to that end; it is therefore not in a position at present to consider its accession to the Anti-Dumping Code.

Question LXXII

- LXXII.1 What are the sources of data and other information used in the conduct of dumping and subsidy investigations under the Foreign Trade Law?
- LXXII.2 What mechanisms exist to assure transparency in these procedures?
- LXXII.3 Are there provisions under the Foreign Trade Law for appeal or judicial review of the determinations of the Department of Commerce and Industrial Development regarding the level of additional duties assessed or the existence of injury?

Reply LXXII

In the conduct of an anti-dumping investigation or in the determination of countervailing duties under the Foreign Trade Law, use will be made of data and information from the Departments of Trade and Industrial Development, Finance and Public Credit, Programming and Budget, from the enterprises requesting the investigation, importers, exporting enterprises and, if necessary, the foreign governments involved, and from other agencies considered pertinent.

In addition, a data bank for Customs purposes will shortly be created with resources provided by the World Bank. This credit includes technical assistance to increase the efficiency of the Customs services.

Mexico considers that transparency in anti-dumping investigation and countervailing-duty procedures is provided by the Foreign Trade Law itself. The Tariff and Foreign Trade Control Commission will express its view before the final duties are determined.

Determinations in such investigations will be published in the Official Gazette of the Federation and the parties concerned will be given an opportunity to present arguments.

Article 24 of the Foreign Trade Law specifies that importers may appeal for rescinding final administrative decisions or measures which determine or apply countervailing rates.

A suit for nullity may be brought against the decision by the administrative authority before the Federal Fiscal Tribunal and a suit for amparo /judicial protection/ may be filed against the judgement of that tribunal.

II.E(a) EXPORT AIDS/INSTITUTIONAL AIDS

Question LXXIII

- LXXIII.1 Are all exporters eligible for temporary importation privileges, or must they be registered in a development programme?
- LXXIII.2 The Memorandum describes conditions under which the exporter of goods consisting of at least 30 per cent local content can evade import restrictions applied to purchases by other entities.
- LXXIII.3 How will this practice be made consistent with the provisions of Article III of the General Agreement?
- LXXIII.4 What is the reason for a minimum tariff of 10 per cent ad valorem applied to goods imported by manufacturers under the DIMEX programme?

Reply LXXIII

All exporters are eligible for temporary importation privileges, even if they do not register a temporary import programme for export.

The requirement of 30 per cent local content in exported goods applies to all enterprises which avail themselves of the DIMEX mechanism, regardless of the country of destination. This mechanism was relevant in a situation at a time when prior permits were widely required. At present, the very low number of cases in which they are employed relate to imported inputs - not saleable in the country - utilized by exporters in their production processes. As may be seen, this mechanism does not constitute a protection of Mexican production. It is therefore consistent with Article III of the General Agreement.

The minimum tariff of 10 per cent applied to goods imported under DIMEX constitutes the margin of protection deemed appropriate for Mexican production in these cases.

Question LXXIV

What is meant by the statement, "provision is made for facilities to promote the processing industry"?

Reply LXXIV

The implementation of a system of facilities to promote the processing-traffic industry refers, inter alia, to administrative and Customs facilities for the temporary importation of inputs, machinery and equipment, and for the construction of industrial parks both in frontier and free zones and in the rest of the country, as well as for the promotion of co-investment by foreign enterprises with Mexican enterprises.

II.E(b) FINANCIAL AIDS

Question LXXV

What are the terms and conditions of financing, other than long-term ones, which Mexico considers similar to those existing in other countries?

Reply LXXV

As is clearly indicated in the understanding between Mexico and the United States regarding subsidies and countervailing duties, the Government of Mexico does not grant export subsidies through preferential pre-export and export-financing programmes for periods of two years or less.

The current rates, both in Mexican pesos and in United States dollars, appropriately reflect the cost to financial institutions of the funds required (average percentage cost in Mexico and rate for acceptances in New York).

As regards pre-export and export-financing for periods longer than two years, Mexico applies the provisions for interest rates stipulated by the Agreement on Guidelines for Official Export Credit of the Organization for Economic Co-operation and Development (OECD).

Question LXXVI

We request clarification of each of the conditions and account rates of "Guarantees to Foreign Trade Undertakings".

Reply LXXVI

It is a BANCOMEXT-FOMEX and COMESEC programme of guarantees granted to exporters to cover political and commercial risks. The programme has been extended to foreign trade enterprises basically supporting small and medium industry.

Question LXXVII

Would Mexico describe the financial engineering schemes provided to encourage participation by Mexican firms in international tenders, as well as the domestic credit card?

Reply LXXVII

Financial engineering consists of an integrated combination of financial aids to enterprises which participate in international tenders, designed to place the Mexican exporter on an equal footing with exporters of other countries.

Financial engineering includes the financing of the project's local content from BANCOMEXT resources; the transfer to the buyer of external financing from international sources to cover the project's imported content; the granting of guarantees to cover political risks; and the granting of guarantees for competing in international tenders.

The purpose of the Domestic Credit Card is to bring financial aid to the suppliers of exporters on the same terms as aid to the final exporters.

Question LXXVIII

We request clarification of "support the development of export undertakings through temporary participation with risk capital".

Reply LXXVIII

To improve their operations, association of such undertakings is permitted with foreign companies active in the international market. Banking institutions may participate with risk capital, as they would do in any other enterprise regardless of the nature of its activities, up to 50 per cent of the share capital of the issuing enterprise, under the conditions and at the time determined by the Department of Finance and Public Credit.

II.F GOVERNMENT PROCUREMENT

Question LXXIX

- LXXIX.1 What is the intention of Mexico as regards the Code on Government Procurement?
- LXXIX.2 What is the percentage share of the State in total imports?
- LXXIX.3 As regards preference for domestic products, is the Law on government procurement in the character of a recommendation and not compulsory?
- LXXIX.4 In which sectors is preference given to domestic products?
- LXXIX.5 What is the level of preference granted to goods and services of national origin in purchases by the Mexican Government? By the para-statal enterprises?
- LXXIX.6 How does the preference shown domestic goods in purchases by the para-statal enterprises meet the obligation noted in Article XVII of the General Agreement to make "purchases or sales solely in accordance with commercial considerations"?

Reply LXXIX

For the time being, the Government of Mexico desires to become a Contracting Party to the General Agreement.

On the other hand, the Government of Mexico is not at present considering any possibility of joining the Government Procurement Code.

As indicated in the Memorandum, in 1984 foreign procurement by the Mexican Government amounted to US\$4,790 million, which represented 42.5 per cent of all Mexico's imports that year. For 1985, Mexico's total imports amounted to US\$13,438.8 million, of which US\$4,332.8 million were for foreign procurement by the Mexican Government, representing 32.24 per cent of all imports.

The Law on Purchases, Leases and Provision of Services connected with Goods and Chattels (Government Procurement Law) contains in its Article 13, Section V, a recommendation that subordinate departments and agencies should preferably use goods or services of national origin and include inputs, material, systems and services incorporating Mexican technology.

There is also a provision by the Department of Trade and Industrial Development - relating to authorization for subordinate departments and agencies to acquire capital goods abroad - which states that such authorization will be granted when there is no domestic product or the existing

domestic product does not satisfy the demand for the goods concerned in terms of price, quality, delivery times, quantity or other respects (published in the Official Gazette of 20 January 1986).

The Law does not indicate sectors that must be given preference but seeks to strengthen the development of all the economic sectors of the country on the basis of the system of rational protection applied in trade policy.

According to the law on the subject, it is recommended to government subordinated departments and to agencies of the para-State sector that they preferably use goods or services of national origin and include inputs, material, equipment, systems and services which incorporate Mexican technology. As a consequence of the above, there is no level of preference at present in the procurement of goods and services of national origin.

However, this does not limit the freedom of State agencies to choose the best price, quality and supply conditions.

Question LXXX

- LXXX.1 What portion of Mexican industry is accounted for by the para-State public sector (para-statal enterprises)?
- LXXX.2 What sort of entities are typically included in this sector?
- LXXX.3 Are these enterprises wholly owned by the State, or are there other forms of State participation and control?
- LXXX.4 What exclusive or special privileges are they granted under Mexican law?
- LXXX.5 Does Mexico intend to notify these enterprises under Article XVII:4 of the General Agreement?

Reply LXXX

The public sector accounts for 4.6 per cent of the country's manufacturing industry. It employs approximately 200,000 persons, representing less than 10 per cent of total industrial employment. The share of the public sector in mining, excluding crude oil, is 0.6 per cent of the country's production.

Under Article 28 of the Political Constitution of the Mexican United States, the State disposes of bodies and enterprises in strategic areas as well as in priority activities for the balanced development of the national economy. Through para-State enterprises, there is Government participation principally in the area of services, of which the most important are educational, medical and social-assistance services, the postal service, the generation of electric power and railways.

In the industrial sector, para-State enterprises participate as producers of widely used inputs, and in long-developing projects involving enormous capital investment, as is the case with oil and gas extraction, iron and steel, basic petrochemicals and fertilizers.

In manufacturing industry, it helps to supplement investments but this does not imply majority participation.

In industry total government ownership is limited exclusively to oil-refining and basic petrochemicals; in services, to the generation of electric power for sale to the public, railways, extraction of uranium and radioactive minerals; and it participates with the domestic and foreign private sector in supplementing selected investments in mining, machine-tool production and the motor-vehicle sector.

The present policy is to withdraw its participation in activities which can be carried out efficiently by the private sector. Such participation in

manufacturing has declined from 7.6 per cent in 1979 to 4.6 per cent. The presence of the public sector is confined to the mentioned areas requiring long development, enormous investment or assured supply.

Mexican legislation makes no distinctions as to the ownership of enterprises. Thus, para-State enterprises must meet the same legal and fiscal obligations as private enterprises.

Once Mexico becomes a contracting party to GATT, it will observe all the applicable provisions in the matter of notification, bearing in mind its status as a developing country.

Question LXXXI

- LXXXI.1 The Diario Oficial of 2 May 1985, proclaimed a Decree establishing the norms for the importation of any product by any entity of the Mexican Government. Under this Decree, the Comptroller General (CG), at his discretion, reviews the purchases by State-trading entities to determine if the quality, quantity, price and other details relevant to the operation are adequate to the interest of Mexico.
- LXXXI.2 What is the relationship of this decree to the procedures governing State purchases described in the Memorandum?
- LXXXI.3 Is the review conducted by the CG limited to verifying the correspondence of the delivery price with the contract price, or does the CG have the authority to impose discretionary pricing regulations on certain imports as a result of this review?
- LXXXI.4 If the CG has discretionary authority to demand the alteration of import prices contracted prior to delivery, under what situations would this authority be used?
- LXXXI.5 How would such changes relate to normal Mexican customs valuation practices?
- LXXXI.6 Could shipments be refused based on the CG review? If so, what avenues would be available to exporters for compensation?

Reply LXXXI

The Decree of 2 May 1985 and the procedures mentioned in the Memorandum are related in that they have the same legal bases: Constitutional Article 134; Article 11 of the Law on Purchases, Leases and Related Services of the Federal Government; and Article 32 bis of the Basic Law on Federal Public Administration. The Decree grants the Federal Comptroller General's Department powers to review, at its discretion, purchases by direct importation made by government departments and entities, in order to determine whether the quality, quantity, prices and other particulars of such transactions are adequate to serve the interests of Mexico.

The Federal Comptroller General's Department confines itself to verifying prices, quality, quantity etc. in conformity with the international trade practices and regulations specified in the Brussels Convention. It must be pointed out that the Comptroller General does not impose regulations of any kind.

The questions relating to import prices are not applicable, since the Comptroller General has no authority to require alteration of these prices.

Shipments can be refused on the basis of the Comptroller General's review; this procedure would be based on the contract between the importer and the exporter, which contains a clause making acceptance subject to verification of conformity. In accordance with the principle of sovereignty, doubtful or disputed cases may be referred to the Mexican courts.

As an aid to understanding and further clarification of the points on which questions have been asked, the Decree published in the Official Gazette of 2 May 1985 is annexed.

DEPARTMENT OF THE COMPTROLLER GENERAL OF THE FEDERATION

CARLOS SALINAS DE GORTARI, Secretary for Planning and Budget, and FRANCISCO GUTIERREZ, Secretary of the Federal Comptroller General's Department, have decided, on the basis of Articles 32, Section XVIII and 32 bis, Sections I, II and XIX, of the Basic Law on Federal Public Administration and of Article 1, Sections I and II and Articles 5 and 11 of the Law on Purchases, Leases and Services Relating to Moveable Property, to issue the following:

ADMINISTRATIVE RULES applicable to purchases by direct importation made by departments and entities of the Federal Public Administration.

Article 1: By virtue of the legal and regulatory powers vested in it, the Federal Comptroller General's Department may, itself or through third parties, review purchases by direct importation made by departments and entities of the Federal Public Administration, except in the case of enterprises in which the State has a minority shareholding, in order to verify that the quality, quantity, price and other relevant details of the transaction are adequate to serve the interests of Mexico.

Article 2: For the purposes of the foregoing Article, the procedure adopted shall be as follows:

I. On the day following that on which a transaction is formalized, the departments and entities shall send to the Federal Comptroller General's Department copies of all orders, contracts or buying orders of an amount exceeding the limit periodically set by that Department.

II. The Federal Comptroller General's Department shall decide, at its discretion, which transactions will be subject to review; it shall then, itself as through third parties, give notice of inspection to the supplier and inform the department or entity concerned of that notice within five days, in order that the latter may immediately communicate the decision, where necessary, to the foreign bank responsible for payment.

III. When the review has been completed, if the result is satisfactory a notice of conformity shall be issued, which shall entitle the supplier to collect the amount expressly specified in that document.

IV. If the review shows that the quality, quantity, price or any other aspect of the transaction is unsatisfactory, a notice of non-conformity shall be issued and communicated to the department or entity concerned, as well as to the supplier.

The head of the department or entity shall decide, on his own responsibility, whether to accept the goods or to cancel the transaction wholly or partly, without any responsibility falling on the public body concerned. That decision, with a statement of reasons, shall be recorded in the notice

Itself with the entry "accepted", "partly accepted", or "not accepted", as the case may be, and signed by the head of the department or entity; a copy of the decision shall be sent to the Comptroller General of the Federation. In the case of partial acceptance, details of the goods, quantities, prices and any other relevant circumstances must be given.

The decision referred to in the preceding paragraph shall also be communicated to the supplier and to the paying bank, informing it of the amount to be paid, if any.

Article 3: In application of the foregoing, the departments and entities concerned shall include the following in all conditions for tenders, orders, contracts or buying orders:

I. That the purchase may be subject to review by the Federal Comptroller General's Department, or by whomsoever it may appoint, in order to verify that the quality, quantity, price and other relevant details of the transaction are adequate to serve the interests of Mexico.

II. That the review may be carried out at production centres, warehouses or ports of shipment, or at ports of discharge, warehouses or the place of delivery of the goods.

III. That if the supplier receives notification of inspection, he must fix, by agreement with the Federal Comptroller General's Department, or whomsoever it may appoint, a date and place for carrying out the review.

IV. That the supplier undertakes to provide all the necessary facilities for the review and to give the inspectors copies of the contract, order or buying order, letter of credit, domestic and export price lists, technical specifications and other relevant information.

Furthermore, that refusal to provide these facilities or the documents and information required constitutes grounds for issuing a notice of non-conformity.

V. That the supplier agrees to submit to the review and to accept its results, together with the legal effects of Sections III and IV of the foregoing Article.

VI. That on completion of the review the supplier undertakes to provide, in the country of origin or shipment of the goods, a copy of the final invoice showing the total value and its breakdown into f.o.b. price, freight, insurance and other costs.

VII. That when samples are required for verification of the quality or technical specifications of the goods, they shall be provided at the supplier's expense.

VIII. That when the review necessitates testing to destruction, the tests shall not lay any responsibility on the inspector.

IX. That if the supplier chooses to ship the goods although a notice of non-conformity has been issued and without the express acceptance of the head of the department or entity concerned, he does so on his own account and at his own risk.

Article 4: All letters of credit and other similar forms of payment shall stipulate the conditions laid down in sections III and IV of Article 2 and in Section I of Article 3.

Article 5: The supplier shall commit himself in advance by the quotation he submits to the department or entity and by the contract, order or buying order.

Similarly, he must accept that the review, and total or partial acceptance of the goods does not free him from his contractual obligations to the department or entity.

Article 6: When the inspection is carried out at a port of discharge or place of deposit or delivery, the department or entity shall be obliged to supply all the documents relating to the transaction.

Article 7: In applying these rules every transaction shall be considered individually and the total import to which it relates may in no case be divided.

TRANSITIONAL PROVISIONS

1. These Administrative Rules shall enter into force on 3 May 1985.
2. For the purposes of Article 2 the minimum amount for transactions is set at 10 million pesos or its equivalent in foreign currency.

Question LXXXII

- LXXXII.1 How do the regulations requiring administrative authorization for parastatal enterprises to purchase imports meet the obligation noted in Article XVII of the General Agreement that forbids governments from restricting these enterprises from conducting their purchases "in accordance with commercial considerations"?
- LXXXII.2 Concerning imported goods already in Mexico, does this regulation not contradict the assertion on Page 13 of the Memorandum that imports, once the duties are paid, are treated equally with domestic production?
- LXXXII.3 Will Mexico state that the provisions of Mexican law guiding the operation of these enterprises, especially with regard to purchases, will be conducted in accordance with the provisions of Article XVII:1-3 of the General Agreement?
- LXXXII.4 How does Mexico distinguish between State trading and government procurement in the context of the provisions of Article XVII of the General Agreement? In light of the statements made in this section, does Mexico intend to adhere to the Government Procurement Code?

Reply LXXXII

Administrative authorization for imports by para-State enterprises are issued only to meet budgetary requirements and do not involve any restrictions on enterprises within the meaning of Article XVII, paragraph 1(c). In this context it may be pointed out that the trading activities of the Mexican State are conducted in accordance with commercial considerations and in conformity with relevant provisions of the General Agreement. Moreover, the monopoly position for imports of certain essential food products held by CONASUPO, for social reasons and to help in regulating domestic agricultural markets, was terminated as from 1 January 1985, when buyers in the private sector began to be free to make foreign purchases of maize, wheat and oil seeds.

There is no contradiction between the requirement of administrative authorization and the statement on page 13 of L/5961, although administrative authorization is granted before the goods are imported.

The Mexican Government considers that the legislation in force on the subject is consistent with the relevant provisions of the General Agreement, in particular, those of Article XVII, paragraphs 1 and 2. In the opinion of Mexico, Article XVII, paragraph 3 only contains a declaration of intention

by the contracting parties to enter into negotiations on the matter, and contains no substantive provision directly applicable to Mexican legislation.

The Mexican Government understands that Article XVII, paragraphs 1, 3 and 4 of the General Agreement contain the general provisions applicable to State trading.

The provisions of Article XVII, paragraph 2 and Article III, paragraph 8(a) and (b) fully and generally except public sector purchases from the provisions of the General Agreement.

In view of the situation described, the Mexican Government does not at present intend to accede to the Government Procurement Code.

Question LXXXIII

- LXXXIII.1 Concerning Mexico's State-owned seed company, Produccion Nacional de Semillas (PRONASE): Will this entity be notified under Article XVII of the General Agreement?
- LXXXIII.2 How are the operations of this entity financed?
- LXXXIII.3 Who covers its net operating losses?
- LXXXIII.4 Does PRONASE participate in decision-making by the Mexican Government regarding the quantity of seed imports and/or the issuance of licences for the import of seeds?

Reply LXXXIII

Mexico will comply with the applicable provisions of GATT, taking into account the fact that it is a developing country.

Moreover, it is considered that financing aspects of this nature do not fall within the scope of application of the provisions of the General Agreement and are not governed by them.

The Department of Trade and Industrial Development, acting in consultation with the Department of Agriculture and Water Resources, takes account of the opinion of PRONASE when deciding on the quantities of seeds to be imported.

Nevertheless, the first of these departments is the sole authority empowered to issue the necessary licences.

Question LXXXIV

- LXXXIV.1 Concerning the Compania Nacional de Subsistencias Populares (CONASUPO): How does the Government of Mexico determine the import level of commodities imported by this entity, e.g., in the case of grains, oilseeds and products, and dairy products?
- LXXXIV.2 How is non-discrimination assured in CONASUPO purchases?
- LXXXIV.3 In January 1985, the Government of Mexico announced that private traders would be taking a larger rôle in the importation of basic food items and the CONASUPO would no longer be the monopoly importer of basic food items. How has this policy change affected CONASUPO's operations and those of private traders?
- LXXXIV.4 What products imported by CONASUPO have been affected?
- LXXXIV.5 Are private traders required to obtain prior import permits before importing the products previously imported by CONASUPO?

Reply LXXXIV

The quantity imported is determined by the deficit forecast of domestic production as against consumption.

CONASUPO makes imports on the basis of purely commercial considerations, without discrimination as to sources.

Since 1985, private enterprises have been able to import grains, oilseeds, oil and animal feed duty free, with a prior import licence.

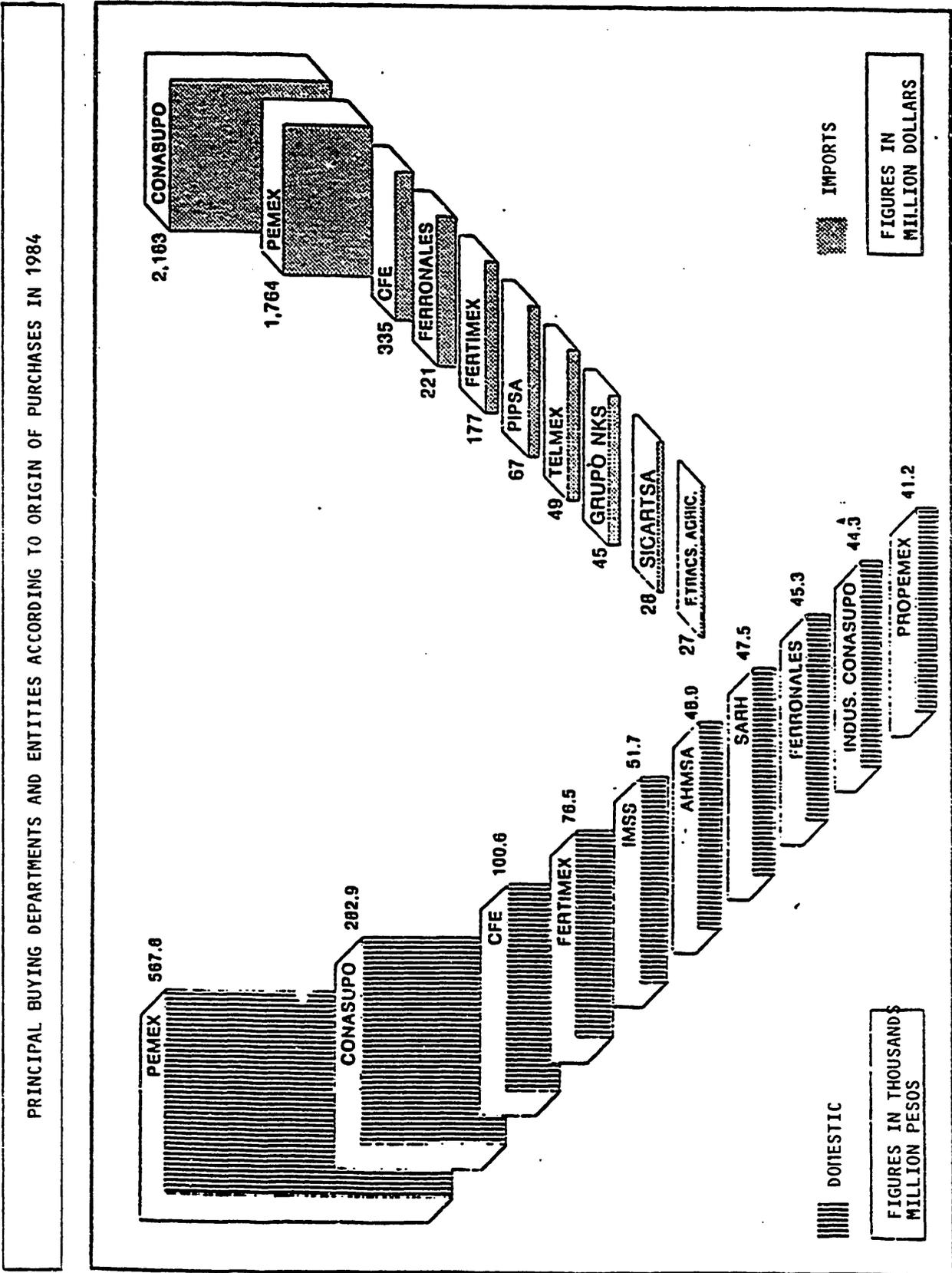
The GATT secretariat is in possession of the list of products, including foodstuffs, which are subject to prior licensing.

Question LXXXV

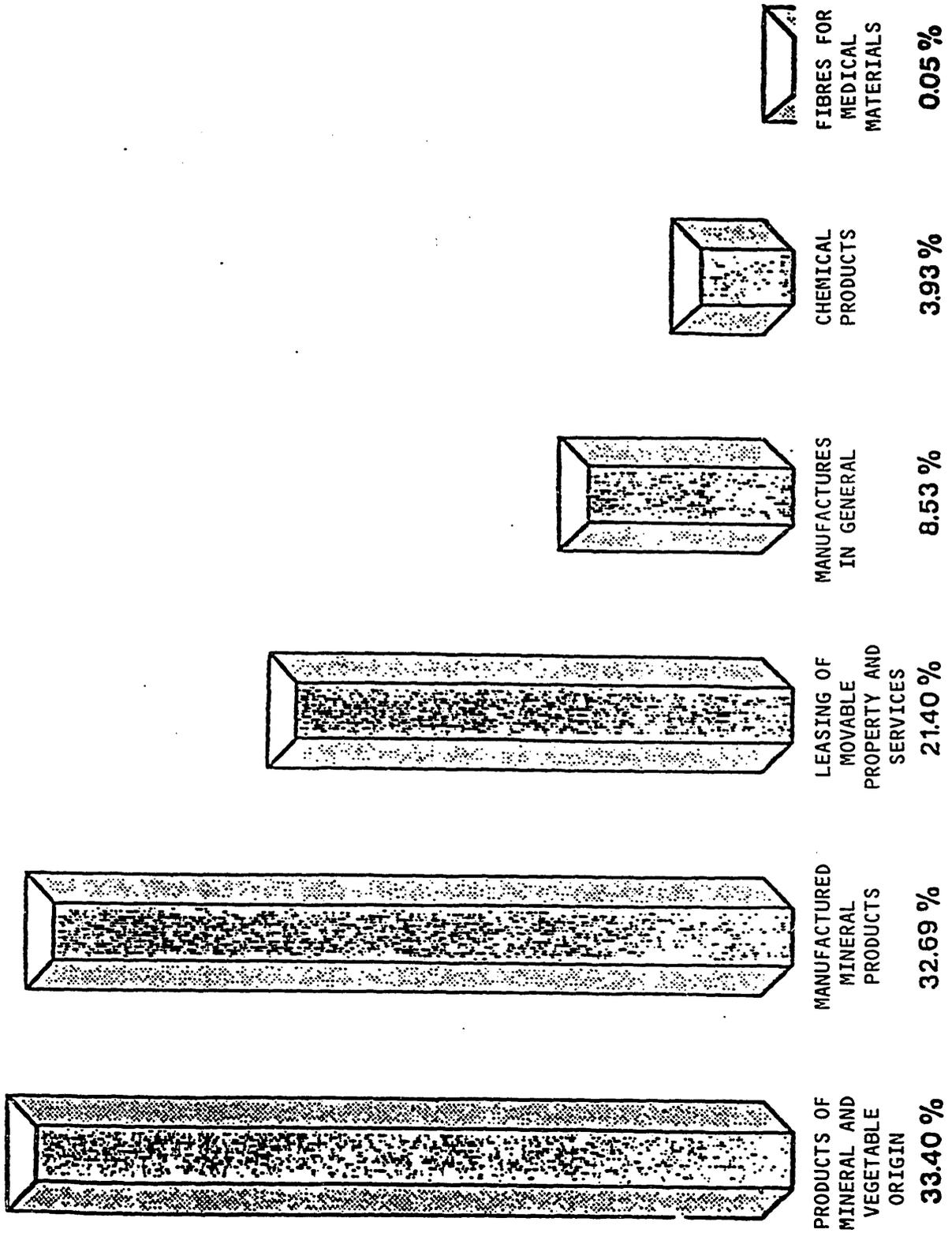
- LXXXV.1 The Memorandum states that State and para-Statal purchases of imports in 1984 totalled \$4,790 million. What portion of total State procurement does this represent?
- LXXXV.2 Could Mexico give more detail on the nature of these imports?

Reply LXXXV

See information annexed



PRINCIPAL IMPORTS BY GOODS 1984



OVERALL SUMMARY OF PURCHASES IN 1984

(millions of pesos)

ENTITY	IMPORTS			TOTAL	%
	DOMESTIC	INDIRECT	DIRECT		
TOTAL	1,975,852	210,016	859,459	3,045,327	100.00
GOVERNMENT DEPARTMENTS:	116,249	8,049	4,761	129,057	4.24
PRESIDENT OF THE REPUBLIC	776	0	0	776	0.60
INTERIOR	5,259	392	39	5,690	4.41
FOREIGN AFFAIRS	732	64	3	799	0.62
FINANCE AND PUBLIC CREDIT	2,017	1	0	2,017	1.56
NATIONAL DEFENCE	645	0	0	645	0.50
AGRICULTURE AND WATER RESOURCES	47,537	1,441	0	48,978	37.95
COMMUNICATIONS AND TRANSPORT	13,230	5,064	2,024	21,119	16.36
TRADE AND INDUSTRIAL DEVELOPMENT	1,147	5	140	1,291	1.00
EDUCATION	16,227	487	0	16,714	12.95
HEALTH AND RELIEF	12,461	0	0	12,461	9.66
MARINE	4,349	73	1,699	6,122	4.74
LABOUR AND SOCIAL WELFARE	1,408	2	0	1,410	1.09
AGRARIAN REFORM	1,752	0	0	1,752	1.36
FISHERIES	1,798	73	0	1,870	1.45
ENERGY, MINES AND PARA-STATE INDUSTRY	426	0	0	426	0.33
URBAN DEVELOPMENT AND ECOLOGY	2,795	220	0	3,023	2.34
TOURISM	320	0	0	320	0.25
PLANNING AND BUDGET	487	15	0	502	0.39
COMPTROLLER-GENERAL OF THE FEDERATION	768	204	0	972	0.75
GENERAL PROCUREMENT OFFICE OF THE REPUBLIC	2,115	0	56	2,170	1.68

SOURCE: DEPARTMENT OF PLANNING AND BUDGET.

OVERALL SUMMARY OF PURCHASES IN 1984
(MILLIONS OF PESOS)

ENTITY	DOMESTIC PRODUCTS		IMPORTS		TOTAL	\$
	INDIRECT	DIRECT	INDIRECT	DIRECT		
BODIES AND ENTERPRISES BUDGETED:	1,339,293	813,709	90,270	2,243,270	73.66	
MEXICAN OIL (PEMEX)	567,774	0	0	298,257	866,031	38.60
DINA TRUCKS COMPANY	15,378	294	0	0	15,672	0.70
CENTRAL LIGHT AND POWER COMPANY	7,348	1,134	0	0	8,486	0.38
NATIONAL IRON AND STEEL COMPANY	2,838	0	0	436	3,275	0.15
MONTREY FOUNDRY COMPANY	13,620	1,692	764	1,879	17,191	0.77
FEDERAL ELECTRICITY COMMISSION	100,578	0	0	56,695	158,041	7.04
LAZARO CARDENAS-LAS TRUCHAS IRON AND STEEL WORKS	16,572	0	0	4,809	21,381	0.95
MEXICAN FERTILIZERS COMPANY	76,504	4,878	0	29,834	111,217	4.96
NATIONAL RAILWAY ROLLING STOCK CONSTRUCTION COMPANY	2,571	0	0	4,252	6,823	0.30
MEXICAN BLAST FURNACES COMPANY	48,900	5,756	0	0	54,656	2.44
PAPER PRODUCTION AND IMPORT COMPANY	13,184	0	11,289	24,473	1.09	
NATIONAL LOTTERY FOR PUBLIC RELIEF	822	1,253	0	2,075	0.09	
VINGENTE GUERRERO FORESTS	0	18	0	0	18	0.00
MEXICAN FOREST PRODUCTS	1,254	0	0	0	1,254	0.06
MEXICAN COPPER INSTITUTE	4,181	0	0	0	4,181	0.19
MEXICAN FISHERY PRODUCTS COMPANY	41,219	11	0	41,229	1.84	
MEXICAN NATIONAL RAILWAYS	45,276	141	0	37,390	82,807	3.69
PACIFIC RAILWAY COMPANY	7,693	3,656	0	1,971	13,319	0.59
MEXICAN AIRCRAFT COMPANY	11,879	58,231	0	0	70,110	3.12
SONORA-LOWER CALIFORNIA RAILWAY COMPANY	1,797	1,021	0	395	3,213	0.14
AIRPORTS AND AUXILIARY SERVICES	1,235	219	0	342	1,796	0.08
NATIONAL PEOPLE'S SUBSISTENCE COMPANY	282,840	4,598	365,610	653,098	29.11	
MEXICAN FOREIGN TRADE INSTITUTE	365	0	0	0	365	0.02
FEDERAL ENTRY ROADS AND BRIDGES AND RELATED SERVICES	2,075	0	0	2,075	0.09	
ISSSTE	21,675	700	0	550	22,925	1.02
MEXICAN SOCIAL SECURITY INSTITUTE	51,665	5,895	0	0	57,559	2.56

SOURCE: DEPARTMENT OF PLANNING AND BUDGET

Question LXXXVI

Could the Mexican Government please provide names of the Mexican standards and certification systems, information of their operations and regulations?

Reply LXXXVI

This question should be clarified, as it would appear to be incomplete.

II.G FREE ZONES AND FRONTIER AREAS

Question LXXXVII

What is the importance of free zones and frontier areas as regards employment, production and trade?

Reply LXXXVII

In 1985, the population of frontier areas and free zones reached over 5 million, or 6 per cent of the total population.

The economically active portion of the population was 34 per cent; that of the country as a whole 34.2 per cent.

The main activities in which this population was engaged were as follows: agriculture 26.3 per cent, industries 27.5 per cent and commerce 16.8 per cent.

Outstanding among the industrial activities is the in-bond export industry, which in 1985 employed 220,000 people, generated an added value of 1,295 million dollars and a production value of 6,175 million dollars, in 786 establishments.

Other industries generated 70 million dollars, employing 37,000 workers in 1,065 establishments.

Trade: in 1985 imports reached 900 million dollars, 6 per cent of the total imports of Mexico.

Of the imports of frontier areas and free zones, 62 per cent consisted of purchases made individually in the United States by frontier residents and 38 per cent of recorded commercial transactions.

Of the ordinary imports, 28 per cent corresponded to the total exports made free of the applicable duties, which amounted to 257 million dollars broken down as follows: primary products 16.3 per cent, semi-primary products 6 per cent, manufactures 0.7 per cent, agricultural machinery and forest products 21.6 per cent, second-hand motor vehicles 20.9 per cent, non-essential products 34.2 per cent, machinery and equipment for servicing and urgent repairs 0.3 per cent.

The remaining 72 per cent of recorded imports came under tariff sub-divisions not subject to prior licensing and paying the import duties applicable.

Question LXXXVIII

Concerning duty relief in the frontier areas, which "authorities" make the determination whether commercial centres, co-operatives and businesses with offices in these areas may be granted such relief?

Reply LXXXVIII

This relief is granted by the Department of Trade and Industrial Development through its offices in the frontier areas.

III. TRADE RELATIONS WITH OTHER AREAS AND COUNTRIES

III.1.a Mexico's participation in LAIA

Question LXXXIX

For years we have been aware of tariff and trade preferences granted under the Latin American Free Trade Association and its successor Latin American Integration Association (LAIA). We would anticipate that any differences between Mexico's m.f.n. tariffs and those for LAIA will not be so great so as to unduly distort or divert North American and world trade patterns. Further details from the Mexican authorities on the operation of these agreements would be welcome.

Reply LXXXIX

In addition to the information given in the Memorandum on the foreign trade régime of Mexico, one of the most important aspects of Mexican participation in LAIA is that it has been decided, jointly with the other member countries, to initiate this year a Round of regional negotiations to stimulate the preferential system of trade and payments open to participation by non-member Latin American countries.

This Round should help to reactivate the economy of the region by strengthening trade flows and the mechanisms of co-operation, with particular reference to the problems of countries which are relatively less developed economically.

Particular importance will be attached in this Round to amplifying regional tariff preferences significantly and eliminating non-tariff barriers on a multilateral basis, in order to remove all restrictions within the time-limits provided for in Article 2 of Resolution 52 of the LAIA Council of Ministers.

Attention will also be given to perfecting the system of financial and monetary co-operation, by adapting it to the requirements of expansion of interregional trade in a regional setting of great illiquidity of convertible currencies.

Mexico and the other member countries of LAIA therefore firmly intend to initiate multilateral trade negotiations as soon as possible, in accordance with the foregoing considerations.

III. TRADE RELATIONS WITH OTHER AREAS AND COUNTRIES

Question XC

- XC.1 Do the bilateral economic and trade co-operation agreements referred to in this paragraph make provision for preferential tariff or trade treatment?
- XC.2 What portion of Mexico's current imports benefit from these preferences?
- XC.3 Will Mexico provide a list of these preference agreements?

Reply XC

The bilateral agreements mentioned do not contain provisions concerning the granting of preferential tariff or trade treatment, so that imports from these countries are subject to the normal provisions.

Mexico can provide the GATT secretariat with a full list of agreements of this kind.

III.4 UNDERSTANDING BETWEEN MEXICO AND THE UNITED STATES CONCERNING
SUBSIDIES AND COUNTERVAILING DUTIES

Question XCI

Is it the intention of Mexico to extend the provisions of the Understanding with the United States concerning subsidies and countervailing duties to all contracting parties?

Reply XCI

Article 14 of the Mexican Foreign Trade Law provides that the Federal Executive may agree with the governments of other countries to conclude agreements granting reciprocal treatment in these matters.

As pointed out in the Memorandum, Mexico does not intend to introduce any elements of discrimination in its commercial policy. On the other hand, it would be desirable for Mexico to know which provisions might possibly be of interest to the CONTRACTING PARTIES of GATT and the signatories to the Subsidies Code.

IV. INSTITUTIONAL STRUCTURE OF MEXICO'S FOREIGN TRADE

Question XCII

Would Mexico clarify what is meant in the Memorandum by the term "promotion" of financing by the National Foreign Trade Bank (BANCOMEXT)?

Reply XCII

The Memorandum states that the function of BANCOMEXT is "to finance the country's foreign trade" and to assist in its promotion.

V. TRADE BALANCE SITUATION

Question XCIII

Please provide updated information on the status of Mexico's external balance.

Reply XCIII

The information requested is as follows:

EXPORTS, IMPORTS AND TRADE BALANCE
1985-1986
(US\$ million)

	Total	<u>Exports (F.o.b.)</u>		<u>Imports (F.o.b.)</u>	Trade Balance
		Non-petroleum	Manufactures	Total	
<u>1985</u>					
January	1,813.3	585.0	423.0	1,143.0	670.3
February	1,843.7	568.3	380.5	1,013.3	830.4
March	2,072.5	660.6	447.5	1,118.7	953.7
April	1,930.8	565.8	405.7	1,115.9	814.9
May	1,780.8	600.4	447.5	1,221.4	559.4
June	1,262.6	517.1	384.7	1,093.2	169.4
July	1,800.8	541.2	410.4	1,136.0	664.7
August	1,894.8	541.2	424.1	1,165.6	729.2
September	1,724.4	510.7	419.7	1,009.3	715.1
October	1,777.4	623.4	525.6	1,161.1	616.3
November	1,984.7	630.6	488.4	1,120.9	863.8
December	1,980.7	755.3	509.4	1,161.9	818.8
<u>1986</u>					
January	1,530.8	732.9	501.8	1,092.4	438.5

Source: Prepared internally on basis of national bank data.

VI. OTHER MATTERS

Question XCIV

- XCIV.1 What is the trade compensation system (intercambio compensado)? How is it applied?
- XCIV.2 Does it apply only to imports of luxury goods?
- XCIV.3 What facilities are provided by the Government of Mexico as regards counter-trade?

Reply XCIV

In general terms, the concept of counter-trade is viewed as a means of boosting bilateral trade in a context of foreign exchange shortage. The aim is to facilitate trade links without affecting tariff and fiscal provisions, nor the selection criteria established by the countries concerned. Such trade is normally based on reciprocal credit lines. When such operations take place in Mexico, they are normally carried out directly by private-sector undertakings. The Government reserves the right to grant or withhold an import permit in accordance with the relevant general rules.

These provisions apply to trade in goods of all kinds.

Under the global export promotion programme (PROFIEX), non-conventional forms of trade, inter alia counter-trade, can only be engaged in as a mechanism supplementary to the traditional forms of trade, not as a replacement of trade in products.

Question XCV

Comments would be welcome on consular fees or charges.

Reply XCV

These fees are applied solely in cases where the Consul has to endorse a document of any kind. Examples are certificates of origin, bills of lading and household furniture.

Question XCVI

- XCVI.1 Does Mexico maintain special provisions relating to the importation and distribution of cinematographic films?
- XCVI.2 What form do these provisions take?
- XCVI.3 Does Mexico maintain screen-time quotas?

Reply XCVI

Screening of cinematographic films is subject to the regulations implementing the Film Industry Law under which 50 per cent of screen time is reserved for films of domestic origin. The Mexican authorities consider that this requirement is consistent with the General Agreement, in particular Article IV.

Question XCVII

Does Mexico plan to eliminate the existing restrictions on wine imports?

Reply XCVII

At present, wines are included in the list of products subject to automatic refusal of a prior import permit. Nevertheless, Mexico would be prepared to consider establishing certain import quotas in the context of specific negotiations with its trade partners.

Question XCVIII

We would be grateful for further elaboration of the reasons why Mexico has introduced legislation whereby goods imported into Mexico are subject to quality control and price assessment inspection by the Société générale de Surveillance (SGS) of Geneva prior to shipment.

Reply XCVIII

This is not a question of introducing legislation, but rather of a contract entered into with an international agency for the purpose of ensuring that government agencies make their purchases in the best possible conditions, in the interest of greater efficiency in public expenditure.