

GENERAL AGREEMENT ON

TARIFFS AND TRADE

RESTRICTED

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Communication from Mexico

The following communication, dated 29 January 1988, has been received by the Director-General from the Secretary for Trade and Industrial Development of Mexico.

I have the pleasure to refer to the efforts being made by the Government of Mexico to forge efficient economic links with the exterior, through the co-ordinated management of all economic policy instruments, particularly those relating to industrial development and foreign trade, in order to eliminate the imbalances that prevent the production system from becoming sufficiently efficient and competitive to generate the savings and the foreign exchange required for its own development.

To that end, the Government has undertaken a gradual but determined rationalization of protection, adopting all necessary measures to support the structural transformation of the Mexican economy, which is a priority objective for the Government of President Miguel de la Madrid.

I shall describe these measures below, and would request you kindly to bring them to the attention of contracting parties and also of the Chairmen of such GATT Committees as you see fit.

Measures on prior import licensing

With regard to import permits or licences, on 4 December 1987 a Decision was issued, and published in the Official Journal, exempting eight tariff sub-divisions of the General Import Tariff from the prior licensing requirement. With this measure, at 31 December 1987 licences were required only for the goods classified in 329 sub-divisions out of the total of 8,459 which the Tariff comprises. In terms of imports, those 329 sub-divisions represented 23.6 per cent of our purchases abroad between January and December 1986. In value terms, the goods imported in the period January-December 1986 under the 329 sub-divisions still subject to the prior licensing requirement represented US\$2,212 million.

As will be recalled, during the negotiations conducted by the Mexican Government with a view to acceding to the General Agreement, it was established that Mexico would continue to eliminate prior import licensing to the fullest extent possible. At that time, of a total of 8,147 tariff sub-divisions in the Mexican Tariff, 818 were subject to the prior licensing requirement, representing roughly 35 per cent of total imports.

In addition, on 11 January of this year the Decision fixing import quotas for certain goods during the period from 1 January to 31 December 1988 was published in the Official Journal, thus fulfilling the commitment included in the Schedule of products specifically covered by concessions by the Government of Mexico, which forms part of its Protocol of Accession and is known as Schedule LXXVII - Mexico. I must point out that, in connection with this commitment and as a result of the elimination of the prior import licensing requirement referred to above, some products which were negotiated by Mexico as being subject to a minimum annual global quota have now been exempted from quantitative controls, and it is therefore possible for suppliers of those products to increase the volume of their sales on the Mexican market. Mexico naturally reserves the right to restore quantitative import controls for such products if economic conditions should make it desirable to do so.

It is obvious that the Government of Mexico has scrupulously fulfilled the commitment to continue eliminating prior import licences to the fullest extent possible. This process has not yet been completed, and the items that remain subject to it are continuing to be reviewed in order to eliminate quantitative controls where possible. In due course, and once this process has been completed, the contracting parties will be informed of the results. With regard to residual quantitative restrictions, the reasons why they are considered justified, under the relevant provisions of the General Agreement, will be given.

Official prices

On 11 January of this year, the Decision eliminating the forty-one official prices still in force was published in the Official Journal. This measure fulfils the undertaking entered into by the Government of Mexico to eliminate the official prices that had been used as the basis for calculating import duties, as established in paragraph 25 of the Report of the Working Party on the Accession of Mexico to GATT (document L/6010).

General import tariff law

On 19 December 1987, the Congress of the Union adopted the General Import Tariff Law, which replaces, as from 1 July of this year, the Customs Co-operation Council Nomenclature (CCCN) by the Harmonized Commodity Description and Coding System (Harmonized System). This fulfils Mexico's undertaking to introduce the Harmonized System as the basis for its tariff classification, preserving the concessions granted and the rights acquired by its trading partners. In the conversion process none of the bound

duties was modified and initial negotiating rights were maintained. Once this legislation is published in the Official Journal, it will be forwarded by these same channels to you. The Government of Mexico is prepared to hold consultations with contracting parties so desiring in connection with the adoption of this measure.

As regards tariffs, I have the pleasure to inform you, in addition to the foregoing, that on 15 December 1987 a Federal Executive Decree was published in the Official Journal which modifies the tariff rates applicable to imported goods. By virtue of this measure, as of the entry into force of the Decree, only five different rates will be applied to imported goods, ranging from a zero rate, or exemption, to 20 per cent, the highest rate in the Mexican Tariff. The five rates are 0, 5, 10, 15 and 20 per cent, and the Tariff sub-divisions are distributed as follows:

<u>Rate</u>	<u>Number of sub-divisions</u>
0	1,299
5	2,600
10	823
15	2,270
20	1,454

In addition it should be borne in mind that 65 per cent of imports between January and December 1986 were in tariff headings which at the moment carry rates of zero or 5 per cent, which gives an idea of the scale of the measure taken by the Mexican Government.

In addition, and as mentioned in paragraph 20 of the Report of the Working Party (document L/6010), during the negotiations for accession to GATT it was mentioned that Mexico applied an additional charge of 2.5 per cent on its imports for the purpose of financing specific domestic economic activities and for export promotion purposes. It was also noted that there were additional duties of 3 per cent and 10 per cent applied by the Government of Mexico and intended to contribute to the financing of the broad range of additional services resulting from the existence of local customs offices in the municipalities of the various federative entities and to cover the cost of services provided by the Mexican Postal Administration, respectively.

As a first step towards their elimination, these charges were amalgamated into a single charge of 5 per cent which came into force on 1 January 1987 following the corresponding modification of the Mexican Customs Law. Finally, on 1 January of this year, the customs legislation was again amended to eliminate the additional 5 per cent duty applied to imports. As a result of this measure, we may say that all Mexican taxes, especially those levied on commercial transactions with the exterior, are in keeping with GATT provisions, and we hope that other contracting parties, especially those that account for the larger volumes of international trade, will take similar measures, so as to enhance the validity and operation of the GATT disciplines.

Codes of conduct

In accordance with the undertaking entered into by the Government of Mexico during the negotiation process for its accession to the General Agreement, as you know on 24 July 1987 I travelled to Geneva, Switzerland, to sign on behalf of the Government of Mexico, ad referendum to the Senate of the Republic, and pursuant to the instructions of the President of Mexico, the following Codes of Conduct: (a) Agreement on Technical Barriers to Trade; (b) Agreement on Import Licensing Procedures; (c) Agreement on Implementation of Article VI of the General Agreement on Tariffs and Trade; and (d) Agreement on Implementation of Article VII of the General Agreement on Tariffs and Trade.

In accordance with the legislative procedure established in the Political Constitution of the United Mexican States, the Agreements I signed were submitted by the Head of the Federal Executive Power for the information and, as appropriate, approval of the Senate. Once the corresponding legislative procedure had been completed, on 4 and 21 December 1987 the Decrees by which the Chamber of Senators of the Congress of the Union approved the international agreements signed by Mexico to which I have referred were published in the Official Journal.

Pursuant to the undertaking entered into when signing the Standards Code, the Head of the Mexican Federal Executive drafted and sent to the Congress of the Union the Draft Federal Law on Metrology and Standards, which establishes the necessary legal basis to fulfil the obligations assumed by Mexico as a result of its membership of the General Agreement on Tariffs and Trade (GATT), and the Standards Code and the World Intellectual Property Organization (WIPO). On 28 December 1987, Congress adopted this new provision, which was published in the Official Journal on 27 January of this year.

In support of the foregoing, I venture to attach the following five documents¹:

- summary table containing a breakdown of the sub-division still subject to import licensing and the reasons why the Mexican Government maintains the requirement (Annex 1);
- document relating to the introduction of the Harmonized Commodity Description and Coding System (Annex 2);
- photocopy of the Decree published in the Official Journal on 15 December 1987 modifying the tariff rates applicable to imported goods (Annex 3);

¹Available in the GATT secretariat (Development Division, Office 2010)

- Decrees approving Mexico's membership of the Technical Barriers to Trade, Import Licensing Procedures, Customs Valuation and Anti-Dumping Codes (Annex 4);
- Federal Law on Metrology and Standards (Annex 5).

The Government of Mexico is confident that the contracting parties to the General Agreement, and in particular our trading partners, will duly appreciate the enormous efforts undertaken by my country, and seek to provide reciprocal treatment to compensate for the additional benefits they have received as a result of these measures, on the understanding that, with respect to all bound tariff lines currently at levels below those negotiated and in all those not specifically bound, the Government of Mexico reserves the right to modify them if the national interest so requires.

It is clear that the Government of Mexico has not only scrupulously fulfilled each and every one of the undertakings it entered into when negotiating membership of the General Agreement, but has also made an extraordinary effort to support the liberalization of world trade and advance in the elimination of unjustified protectionism.

We hope that those contracting parties which promoted and supported the standstill and rollback commitment agreed upon in the Punta del Este Declaration will take the necessary measures to substantiate their political will to carry that offer into effect. Only on the basis of this assumption will Mexico be able to resume its growth, increase its imports and meet its international commitments.