# Nafta rule for export and import in mexico law international essay

Law

Business government Official Government Guide to the US Automotive Industry - Business. Gov's guide to complying with laws and regulations that apply to Automotive manufacturers, auto repair and maintenance businesses, and auto sales and services. U. S. Residents Importing and Exporting Vehicles - A vehicle transported/driven from the United States for non-commercial or private use outside the country may return duty free to the United States, if U. S. Customs and Border Protection (CBP) is provided specific proof of U. S. origination. This proof may be a State issued vehicle registration card or a CBP certificate of registration (CBP 4455) completed and verified by a CBP officer before departure from the United States.

## 4. 1. 1 NAFTA rule for export and import in Mexico

The Mexican Automotive industry has been essentially state-run since 1925. A series of auto decrees have been issued periodically in Mexico. These have effectively erected high tariffs on foreign imports of finished Automotives -- requiring foreign auto manufacturers to relocate in Mexico if they wished to sell in Mexico. Under NAFTA, the auto decrees and other trade barriers will be eliminated, positively affecting the U. S. auto industry. With the goal of increasing the use of Mexican-made components in Mexican domestically produced models, the government issued a second decree in 1962. It increased the domestic content requirement to 60% from its previous level of 20% and mandated that power train production (a typically capital-intensive process) be undertaken only in Mexico for models intended for domestic sale. Additionally, the government prohibited all imports of finished vehicles and limited foreign ownership of parts producers to minority shares. While production more than tripled to 188, 000 units annually by 1970, this

was still significantly below the capacity of a solitary modern plant. While the decree did encourage the formation of a supplier base, quality was still low, and producers continued to import parts despite high tariffs. Consequently, both costs and prices were high, significantly contributing to a persistent Mexican trade deficit in the automotive sector. In 1982, Mexican demand plummeted and capital flight ensued as a consequence of the debt crisis. Motivated by this crisis atmosphere, another auto decree was passed that further raised tariffs in order to limit imports and inhibit outflows of pesos. Led by Ford, U. S. auto makers constructed several new export-oriented engine and assembly plants that were competitive on both cost and quality with their U. S. and Canadian counterparts. Investment in maquiladora parts production also rose. By the late 1980s, the worst of the debt crisis was over and Mexican sales began to increase. The roller coaster ride of Mexican production in the 1980s saw production fall from 600, 000 units in 1982 to a low of 248, 000 units in 1987, but recovering to approximately 547, 000 units in 1990. The most recent auto decree was one of the few protectionist and pro-regulation pieces of legislation passed by the Salinas administration. It continued the tradition of high tariffs, limited foreign ownership, and enforcement of local content requirements. The provisions: Permitted foreign firms 100% ownership of export-oriented plants, but only 40% ownership of suppliers serving the Mexican market; Raised local content rules to 36% of the components’ value for models sold in Mexico; Required foreign assemblers to maintain a positive Mexican balance of trade; Allowed finished cars and light trucks to be imported into Mexico (beginning in 1991) for the first time in nearly thirty years, but limited market share to 20%, and

required exports to positively offset imports by a ratio of 1. 75 to 1 in 1994; Set tariffs for finished vehicles and parts and continued to bar imports of used vehicles; andAllowed Maquiladora plants to sell some of their output domestically. By the end of 1993, Mexico imposed tariffs of 20% on cars, 10% on dump trucks, 20% on other trucks and buses, and 10 to 15% on auto parts. As a direct result of all Mexican trade barriers, the Mexican auto industry is highly inefficient and non-competitive. Nearly three-quarters of a century’s protection and regulation have produced an industry characterized by small and outdated plants, high costs, and low levels of productivity. In Mexico, only Ford’s Hermosillo plant and a new Nissan factory at Aguascalientes are considered world-class facilities by international industry standards. Under Nafta, the Mexican tariff of 20% on autos were reduced to 10% upon the Agreement's implementation. This will be phased out in equal increments over the following nine years. The Mexican duty of 10% on trucks was cut in half immediately upon Nafta's implementation. This will be phased out in equal increments over the following four years. The Mexican Auto Decrees will be phased out by January 1, 2004. Thus, the pre-Nafta requirement that an auto manufacturer's exports be 200% as much as it imports will be eliminated as well. Importantly, the rules of origin established under Nafta were devised to prevent non-Nafta countries from using Mexico as an export platform in order to secure preferential access to the United States. In order for a product to receive Nafta status or duty-free treatment, a minimum content requirements must be satisfied. Starting from a base of 50% content for most North American products, the rules of origin rise to 62. 5% for autos, light trucks, engines, and transmissions, and to 60% for other

vehicles and parts. While the United States has erected some measures protecting its auto sector, they are not nearly as extensive or extreme as Mexican ones. Consequently, liberalization of its measures will be much easier than Mexico's. Prior to Nafta, the United States had a prevailing tariff of 2. 5% on cars, 25% on trucks, and 3. 1% on buses. Tariffs on auto parts can go as high as 6%, but usually average in the range of 3. 1 to 3. 7%. Buses and most auto parts imported from Mexico, however, enter the United States duty-free under the U. S. Generalized System of Preferences. Products from maquiladoras entering the United States under the tariff classification 9802. 00. 80 only have duties levied on the non-U. S. value-added content. The United States, however, does have a significant non-tariff barrier in the form of corporate average fuel economy, or CAFE, standards imposed by the Energy Policy and Conservation Act of 1975. Under Nafta, the U. S. nominal tariff of 2. 5% on Automotives was immediately lifted upon the Agreement's implementation. The U. S. tariff of 25% on light-duty trucks was immediately reduced to 10% with a phase-out schedule of 5 years. U. S. tariffs on many automotive parts were eliminated immediately, with others being reduced to zero over a period of five to ten years. Nafta's elimination of all auto trade barriers within ten years will effectively integrate the Mexican auto sector into that of the United States and Canada, creating a truly continental auto industry.

## Warning

Imported motor vehicles are subject to safety standards under the Motor Vehicle Safety Act of 1966, revised under the Imported Vehicle Safety Compliance Act of 1988; to bumper standards under the Motor Vehicle

Information and Cost Savings Act of 1972, which became effective in 1978; and to air pollution control standards under the Clean Air Act of 1968, as amended in 1977, and 1990. If vehicles manufactured abroad conform to U. S. safety, bumper, and emission standards, it is because these vehicles are exported for sale in the United States. Therefore, it is unlikely that a vehicle obtained abroad meets all relevant standards. Be skeptical of claims by a foreign dealer or other seller that a vehicle meets these standards or can readily be brought into compliance. Vehicles entering the United States that do not conform with U. S. safety standards must be brought into compliance, exported, or destroyed. This pamphlet provides essential information for U. S. residents, military or civilian government employees, and foreign nationals who are importing a vehicle into the U. S. It includes U. S. Customs and Border Protection (CBP) requirements and those of other agencies whose regulations we enforce. Since Environmental Protection Agency (EPA) and Department of Transportation (DOT) requirements are subject to change, we recommend that you contact these agencies before buying a vehicle abroad.

## 4. 1. 2 Mexico Vehicle Permits

Mexico has very strict rules regarding the entry of foreign motor vehicles. Travellers are allowed to bring only one vehicle into the country at a time. Those travelling with a recreational vehicle are not entitled to tow a second vehicle, unless it is registered in the name of an accompanying traveller. It is the owner's responsibility to obtain a Temporary Vehicle Importation Permit (solicitud de importación temporal de vehículos) at the customs office at the U. S.-Mexico border or, in some cases, within 30 km of the authorized border zone (zona fronteriza). Travellers should ensure that they obtain a permit

upon entry and cancel this permit before exiting Mexico. Watch for signs indicating customs checkpoints and Banjercito Bank locations (where permits can be issued and cancelled). Do not proceed to the interior of Mexico without having obtained the proper permit. Travellers without a vehicle importation permit may be incarcerated, fined and/or have their vehicles seized at immigration/customs checkpoints.

## 4. 1. 3 Government also eliminates property tax on domestic cars

The move to tighten regulations for used-car imports is one of several steps by the government to assist the Mexican auto industry in increasing domestic sales of vehicles assembled in Mexican plants. In early July, the administration also announced that it would phase out property taxes (Impuesto Sobre Tenencia) on cars produced in the domestic market. The auto industry welcomed the changes in taxation and import restrictions but pointed out that the domestic market has remained depressed during the past two years because of the global economic crisis. The AMIA said the domestic auto industry's economic woes continued into the first five months of this year, when sales were down by more than 20% below the 2008 levels. The association estimates that domestic auto sales this year will amount to about 880, 000 units, on par with the total recorded in 2001. Still, the AMIA believes that the changes, if effective, could result in the sale of an additional 1 million vehicles. This, in turn, would result in the creation of 400, 000 direct jobs and another 700, 000 indirect jobs. " If we do everything properly with the new norms, the internal market would grow at the same rate as those in Argentina and Brazil," said Solis Sanchez.

# POLICIES & NORMS OF INDIA FOR IMPORT & EXPORT OF MEXICO

## 4. 2. 1. Taxes Policies & norms for exporting or importing of Mexico in Automotive Industry:

Import duty and taxes are due when importing goods into Mexico whether by a private individual or a commercial entity. The valuation method is CIF (Cost, Insurance and Freight), which means that the import duty and taxes payable are calculated on the complete shipping value, which includes the cost of the imported goods, the cost of freight, and the cost of insurance. However, the duties of some products can be charged based on a unit of measure. In addition to duty, imports are also subject to sales tax, customs processing fee (DTA), and in some cases to excise.

## Duties:

The total Customs duty incidence on cars comes to around 181%. The car can only be imported, if you are transferring residence into India and the engine capacity is less than 1600 cc (for new cars), there is no cc limit for old and used cars, in your possession for more than 1 year. Scroll below to see more on valuation and duties.

## Taxes:

The Mexican Value Added Tax (VAT) is 11 percent for the vehicles that are registered in the Northern border region (within 60 miles of the border). The VAT for the remainder of the country is 16 percent. The VAT is assessed on the sum of the customs value of the vehicle, plus import duty and the customs processing fee of 0. 8 percent of the customs value. Duty RatesDuty rates in Mexico vary from 0% to 140. 4%, with average duty rate at 13. 97%.

Some products can be imported free of duty (e. g. laptops, and other electronic products). Sales TaxVAT is the levied on imports at a standard rate of 16% calculated on the sum of the CIF value, duty, and DTA.   Some products can be imported free of VAT. Minimum thresholdsImports with a FOB value, i. e. product value, of up to USD 50 are exempt of the duty, however they are still subject to VAT and DTA.

## Tariffs:

Mexican import duties on cars and trucks produced in the United States or Canada that meet the NAFTA rule of origin were reduced to zero on January 1, 2003, one year ahead of schedule. Mexico maintains a 30 percent tariff for new vehicles, and 50 percent tariff for used vehicles on U. S. and Canadian vehicles not meeting the NAFTA rule of origin and on vehicles from all other countries that do not have an FTA with Mexico. Mexico has also signed 12 FTAs with 44 countries, including such major markets as Japan and the EU member states. Other taxes and custom fees-       DTA or Customs Processing Fee is applied to all imports at a rate of 0. 08% of the sum of the CIF value and duty.-       Excise is applicable to alcohol and tobacco products at rates between 25% and 160% on the sum of the CIF value and duty.

## 4. 2. 2. Policies & Norms for export of Mexico in Automotive Industry:

## Licensing policy for Industry

• Industry kept intended for the community division,• Industry retained under necessary license.• Items of manufacture reserved for the small scale sector.• If the proposal attracts location restriction.

## Industrial Entrepreneurs Memorandum (IEM)

Industrial activities immune from obtaining an industrial license are necessary to file an Industrial Entrepreneur Memoranda (IEM) in Part 'A' (as per prescribed format) with the Secretariat of Industrial Assistance (SIA), section of Industrial Policy and endorsement, administration of India, and obtain an acknowledgement. No further approval is required. Immediately after inauguration of marketable manufacture, Part B of the IEM has to be overflowing in the prearranged arrangement. The capability for adjustment of obtainable IEMs has also been introduced. The location of industrial units is further regulated by the local zoning and land use regulations as also the environmental regulations. Hence, even if the requirement of the location policy stated in paragraph is fulfilled, if the local zoning and land use regulations of a State Government, or the regulations of the Ministry of Environment do not permit setting up of an industry at a location, the entrepreneur would be required to abide by that decision.

## Domestic Sales

The increasing development of the Passenger Vehicles fragment during April 2007 – March 2008 was 12. 17 percent. Passenger Cars grew by 11. 79 percent, Utility Vehicles by 10. 57 percent and Multi Purpose Vehicles by 21. 39 percent in this period. The Commercial Vehicles fragment grew slightly at 4. 07 percent. While average & weighty Commercial Vehicles declined by 1. 66 percent, glow Commercial Vehicles recorded an increase of 12. 29 percent. Three Wheelers sales demolish by 9. 71 percent through sales of merchandise Carriers moribund radically by 20. 49 percent and Passenger Carriers declined by 2. 13 percent during April- March 2008 compared to the

last year. Two Wheelers registered an unenthusiastic enlargement rate of 7. 92 percent during this period, with motorcycles and electric two wheelers segments moribund by 11. 90 percent and 44. 93 percent respectively. However, Scooters and Mopeds part grew by 11. 64 percent and 16. 63 percent correspondingly.

## Exports

Automotive Exports registered an enlargement of 22. 30 percent through the present financial year. The enlargement was guide by two wheelers division which grew at 32. 31 percent. Commercial vehicles and Passenger Vehicles exports grew by 19. 10 percent and 9. 37 percent correspondingly. They done Exports of three wheelers fragment declined by 1. 85 percent.

## Imports

Automotive industry has a strong multiplier effect and acts as one of the drivers of economic growth. Well-developed Indian automotive industry produces a wide variety of vehicles: passenger cars, light, medium and heavy commercial vehicleImport is the antonym of export. In the terms of economics, import is any commodity brought into one country from another country in a legal way. The economic needs of the country, effective use of foreign currency are the basic factors which influence India's import policy. There are mainly 3 basic objectives of the Indian import policy or Mexico export policy: To make the goods easily available. To simplify importing license. To promote efficient import substitution.

## Current Scenario of Export of Mexico or Imports in India:

There are few goods which cannot be imported namely tallow fat, animal rennet, wild animals, unprocessed ivory etc. Most of the restrictions are on the ground of security, health, environment protection etc. Imports are allowed free of duty for export production. Input output norms have been specified for more than 4200 items. The norms tell about the amount of duty free import of inputs allowed for specified products. There are no restrictions on imports of capital goods. Import of second hand capital goods whose minimum residual life is of five years is permitted. Export Promotion Capital Goods (EPCG) scheme provides exporters to import capital goods at a concessionary custom rates. In the past 30 years Indian imports have risen quite dramatically. At present imports accounts for 17% of the GDP. Capital goods have been continued to be imported and in the last three years, their share has fallen from 25% to 22%.

## 4. 2. 3 Permission Policies & Norms of India for export of Mexico in Automotive Industry:

## Duration of Vehicle Import Permit

The Import Permit lasts for as long as your current visa lasts. If this a FMM (Tourist Visa) the period is 180 days. If you are living in Mexico on a FM-3 resident visa, your car import permit will be valid for as long as your visa is valid. Note: If your immigration status changes while you have a vehicle in Mexico, you do not need to apply for a new vehicle permit. For example, if you entered Mexico on a FMM, and subsequently apply for and are granted a FM-3, your vehicle permit does not have to be renewed and will last so long

as your FM-3 is current. However, you must surrender the permit and purchase a new one every time your car leaves and re-enters.

## Documentation Required for Vehicle Import Permit

Foreigners will need to show: Proof of nationality (e. g. Passport)Their Mexican visa or tourist cardProof of ownership of the vehicle*A valid driver's license with photo

## Financed Vehicles, Rental Cars and Company Cars

In the event the vehicle is being financed or leased, a letter of credit or invoice from the corresponding financial institution will need to be presented. If the vehicle is rented, the hire contract in the driver’s name and a description of the vehicle. If it’s a company car, the importer will need to show documented proof of a working relationship with the company (e. g. letter on headed paper signed by a company official), as well as the company's proof of vehicle ownership.

## Payment of Import Bond

The Mexican authorities require that the driver also deposits a bond, which is forfeited if the car is not exported by the expiry date printed on the import permit. Holders of American Express, Visa or MasterCard credit cards can provide a card's details as security for the bond. If you are leaving a cash deposit, the amount asked will be between US$200 and US$400, depending on the make, model and age of the vehicle.

## About The Permit (Windscreen Sticker)

The permit " document" is a special sticker that is affixed to the inside of your car's windshield. DO NOT attempt to remove this yourself. When you get back to the border, have an official scrape it off.

## Taking Your Car Out of Mexico

The Mexican government is very strict on the import and export of vehicles in Mexico and uses a centralized computer system to track and trace all cars entering and leaving the country; furthermore, the authorities are strict when it comes to applying the rules about car import and export. When you leave Mexico, you MUST stop at the border checkpoint and get the Import Permit sticker (attached to the inside of your car's windshield) removed. Do not remove it yourself -- wait until one of the officials at border scrapes it off. Once removed, the border official will present you with a receipt; and you should keep this receipt safe. Bring it with you next time you bring the same car to Mexico, in case there is any query at the border about when you exported the car.

## 4. 3. TRADE BARRIERS

## 4. 3. 1. Import Policy Barriers

One of the most commonly known non-tariff barriers is the prohibition or restrictions on imports maintained through the import licensing requirements. Article XI of the GATT Agreement requires Members not to impose any prohibitions or restrictions other than duties, taxes or other charges, whether made effective through quotas, import or export licenses or other measures. Any form of import licensing (other than an automatic

license) is, therefore, to be considered as an import restriction. Certain restrictions on imports, however, can be imposed in accordance with various provisions of the GATT. These include restrictions on grounds of safety, security, health, public morals etc. Article XX of the GATT Agreement provides for certain general exceptions on grounds of protection of:• Public morals,• Human, animal or plant life or health,• National treasures of artistic, historic or archaeological value etc. These are however subject to the requirement that such measures are notapplied in a manner which would constitute a means of arbitrary or unjustifiable discrimination between countries where the same conditions prevail, or a disguised restriction on international trade. Similarly Arthe GATT Agreement provides for certain security exceptions. Import restrictions on some items on grounds of safety and security are being maintained generally by all the countries, and perhaps these cannot be considered as nontariff barriers looking to the purpose for which the restrictions are imposed. Article XVIII (B) of the GATT allows import restrictions to be maintained on grounds of ' Balance of Payment' (BOP)problems. besides import licensing, import charges other than the customs tariffs and quantitative restrictions there are other forms in which import restrictions can be imposed through import policy.

## Standards, Testing, Labeling & Certification Requirements

Prima-facie Standards, Testing, Labeling and Certification requirements are insisted upon for ensuring quality of goods seeking an access into the domestic markets but many countries use them as protectionist measures. The impact of these requirements is felt more by the purpose and the way in which these are used to regulate trade. Two of the covered agreements

underthe WTO namely the Agreement on the Application of Sanitary & Phytosanitary Measures (SPM) and the Agreement on Technical barriers to Trade (TBT), specifically deal with the trade related measures necessary to protect human, animal or plant life or health, to protect environment and to ensure quality of goods. The SPM Agreement gives a right to take sanitary and phytosanitary measures necessary for the protection of human, animal or plant life or health, provided: such measures are not inconsistent with the provisions of the Agreement; they are applied only to the extent necessary; they are based on scientific principles and are not maintained without sufficient scientific evidence; they do not arbitrarily or unjustifiably discriminate between Members where identical or similar conditions prevail including between their own territory and that of other Members and they are not applied in a manner which would constitute a restriction on international trade. In regard to the determination of appropriate level of sanitary or phytosanitary protection, the Agreement requires the objective of minimizing negative trade effects to be taken into account. Further, it permits introduction or maintenance of sanitary and phytosanitary measures resulting in higher level of sanitary and phytosanitary protection that would be achieved by measures based on the relevant international standards, guidelines or recommendations only if there is a scientific justification. However, where no such international standards, guidelines or recommendations exist or the content of a proposedsanitary or phytosanitary regulation is not substantially the same as the content of an international standard, guideline or recommendation and if the regulation may have a significant effect on trade of other Members a notice needs to be

published at an early stage and a notification is required to be made of the products to be covered with an indication of the objective and rationale of the proposed regulation. The TBT Agreement also containssimilar provisions with regard to preparation, adoption and application of technical regulations for human, animal or plant safety, protection of environment and to ensure quality of goods.

## 4. 3. 2. Export Subsidies & Domestic Support

Both export subsidies and domestic support have a great bearing on the trade of other countries. While export subsidies tend to displace exports from other countries into the third country markets, the domestic support acts as a direct barrier against access to the domestic market. Generally the developing countries can hardly find resources to grant subsidies or domestic support. But developed countries like the Members of the European Union and Japan have been heavily subsidizing their agricultural sector through schemes like export refunds, production support system and other intervention measures. Under the Common Agricultural Policy, the EU subsidizes European farmers up to $4bn every year, which end up mostly into the pockets of rich land lords who really do not need it. In 1992, Ray Macs harry, EU’s agriculture commissioner, calculated that 80% of the subsidies went to the richest 20% of farmers. For example, Queen Elizabeth receives annually $352, 000 for her Sandringham estate, and her daughter Anne receives $128, 000 annually for her Lacombe Park farm. Even Arab princes owning estates in UK are receiving these doles. Saudi Prince Khalid Abdullah al Saud claimed $192, 000 for his country estate in Kent. (Asian Wall Street Journal, 11December 1996). Some of these measures include

import quotas, licensing, exchange and other financial controls, prohibitions, discriminatory bilateral agreements, variable levies, advance deposit requirements, antidumping duties, subsidies and other aids, government procurement policies, government industrial policy and regional development measures, competition policies, immigration policies, customs procedures and administrative practices, technical barriers to trade, and sanitary and phytosanitary measures.