



-Mexico-

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GENERAL FEATURES OF TRADE POLICY

OVERVIEW

With a Gross Domestic Product (GDP) of US\$ 561 billion for a population of 99 million in 2000, *Mexico is the second biggest national market in Latin America, after Brazil.*

Mexico became more closely integrated into the world economy after the economic and trade reforms, which followed the debt crisis of 1982. The pace of structural reform, including trade liberalisation, deregulation, and privatisation sped up in 1985. Accession to the General Agreement on Tariffs and Trade (GATT) the following year gave a fresh impetus to this process, particularly with regard to the abolition of most of the import licenses and the binding and reduction of customs duties. Mexico became a full member of the Asia-Pacific Economic Co-operation (APEC) forum in 1993. It was also admitted as a member of the Organisation for Economic Co-operation and Development (OECD) in 1994 and is a founding member of the World Trade Organisation (WTO) since 1995.

The financial crisis of December 1994 led to a severe recession in Mexico the following year. The recovery, however, was fairly rapid, with real GDP growth rates of 5,5% in 1996; 6,77% in 1997; 5,03% in 1998; 3,75% in 1999 and 6,9% in 2000. The manufacturing sector accounted for 20,8% of GDP and for 87,3% of total exports in 2000. In 2001 the Mexican economy slowed sharply, due to the knock-on effects of America's slowing economy. The OECD forecasts modest GDP growth of 1,5% in 2002, followed by a robust 4% in 2003.

The country has undergone a significant economic transition in the last decade, and is now the world's 13th largest economy, the eighth largest exporter of goods and services, and fourth largest oil producer. Its share of world exports grew from 1.1% in 1990 to 3.1% in 2000 and the development of imports was similar. During this period the value of exports has quadrupled from US\$40 billion to US\$166 billion, and the value of imports has increased from US\$50 billion to US\$175 billion. Although in 2000 Mexican exports increased by 22%, one of the highest rates in the world economy, the impressive growth rate of exports was slightly exceeded by import growth (22.9%) and the trade deficit amounted to 8 billion dollars.

In 2001 the Mexican economy experienced a worsening, marked by negative annual growth. The considerable drop in global demand - especially by the United States - led Mexico's export sector to contract by nearly 5% last year - for a large extent due to the drop in prices for crude petroleum. Imports also suffered from the effect of the economic deceleration: Total imports dropped by 3.5% below that of the previous year and Mexico had to report a negative trade balance of US\$ 9.72 billion, a figure that exceeds by 21.5% the imbalance recorded in 2000.

The main impulse to trade growth was given by the *maquiladora* or in-bond for re-export industry, which carries out assembly or other labour-intensive operations such as assembly of vehicles and electrical goods and manufacturing of textiles and furniture. Until 31 December 2000 the maquiladora plants could import machinery, components and other inputs without paying customs duties to produce and export finished goods. The maquiladora sector, based mostly along the US border and owned mainly by Japanese or US companies, made up around 50% of Mexico's total exports and around 40% of total imports in 2000.

Mexico's main *trade partner* is the United States, with around an 80% share of total trade in 2000 (89% of exports and 74% of imports). The European Union (EU) comes second with, in 2000, 6% of total trade. Other important partners are Japan and Canada (both with about 2,2% of total trade). Mexico's trade with South American countries as a whole is only 2% of its total.

REGIONAL TRADE AGREEMENTS

Regional Trade Agreements (RTA), notably the North American Free-Trade Agreement (NAFTA), has enhanced Mexico's economy liberalisation, including trade liberalisation, privatisation of state-owned enterprises, and removal of restrictions on foreign ownership.

NAFTA

Mexico is a signatory to the NAFTA along with Canada and the United States. This agreement, which came into force on 1 January 1994, contains 22 chapters covering tariff and non-tariff concessions, liberalisation of investment and services, rules relating to standards, competition policy, state monopolies and intellectual property rights between the 3 countries.

NAFTA will liberalise trade over a 15-year period. When fully implemented (by the year 2009) all tariff and non-tariff barriers will be removed between NAFTA partners. The timetable for Mexico to dismantle its trade barriers is more gradual than that for the United States and Canada. Trade in sensitive sectors (automotive, textiles, and agriculture) is ruled by special provisions of the agreement.

OTHER RTAs

Mexico is also a member of the Asociacion Latinoamericana de Integracion (ALADI). ALADI was set up in 1980 by eleven countries (Argentina, Bolivia, Brazil, Colombia, Chile, Ecuador, Mexico, Paraguay, Peru, Uruguay and Venezuela) by creating a system of regional and bilateral trade preferences. Preferences may be established for certain ALADI members without extending them to all other parties.

In the framework of the ALADI, Mexico has bilateral Free Trade Agreements (FTA) with Chile (1992), Colombia (1995), Venezuela (1995) and Bolivia (1995). Mexico has also concluded FTAs that have already entered into force with Nicaragua (in force since 1998), Israel (2000) and the European Union (2000).

In 2000 Mexico signed two more trade agreements due to enter in force in 2001: the FTA with the trading block Triangulo del Norte composed by Guatemala, Honduras and El Salvador, and the FTA with the European Free-Trade Area (EFTA), which comprises Iceland, Liechtenstein, Norway and Switzerland.

In addition, Mexico continues trade negotiations with Singapore and Japan in the framework of the APEC forum and has also made contacts in view of a FTA with the Mercado Comun del Sur (MERCOSUR) countries (Argentina, Brazil, Paraguay and Uruguay). At the third summit of the Americas in Quebec on 26 April 2001, Mexico endorsed the plan to complete the Free-Trade Agreement of the Americas (FTAA) negotiations by 2005.

EU-Mexico FTA

Until late 1996 EU-Mexico relations were guided by the 1991 Framework Agreement for Co-operation. On

23 July 1997 EU and Mexico initialled new agreements, consisting of three legal texts: 1) An **Economic Partnership, Political Co-ordination and Co-operation agreement (usually named the Global Agreement)** covering political dialogue, co-operation and trade aspects; 2) An Interim Agreement on Trade and Trade related matters covering trade aspects (goods only); and 3) A Joint Declaration providing for the parallel negotiations of the remaining trade aspects (e.g. services).

These agreements were signed on the 8th of December 1997. The so-called Global Agreement entered into force on October 1st 2000. This Agreement is governed by a Joint Council (JC) and extends bilateral co-operation that existed in the 1991 Framework Agreement.

The **Global Agreement (articles 5 and 6)** sets out the objective of establishing a free trade area in goods and services, the mutual opening of the procurement markets, the liberalisation of capital movements and payments, as well as the adoption of disciplines in the fields of competition and intellectual property rights.

The **trade aspects** of the Global Agreement have been adopted through two decisions of the EU-Mexico Joint Council: a) the **Decision 2/2000** known as the FTA in Goods, which entered into force on 1 July 2000, and b) the **Decision 2/2001** called the FTA in Services in force since 1 March 2001.

The FTA in Goods will liberalise over 96% of EU-Mexico trade by 2007 at the latest. The bulk of tariff dismantling (industrial products) will be completed by 1 January 2007. Specific packages were agreed for products deemed sensitive, such as textiles, shoes, vehicles and agricultural products.

The **EU-Mexico FTA in Services** includes provisions on services as well as preferential arrangements on investment, intellectual property rights and public procurement. It includes all service sectors, with the exception of audio-visual, air transport and maritime cabotage services, and covers all four different modes of supply: 1) cross border; 2) consumption abroad; 3) commercial presence; and 4) presence of natural persons. Specific provisions govern maritime transport and financial services (Chapters II and III of the FTA). There are also provisions for further negotiations that should take place no later than 1 April 2004 to 'eliminate substantially all the remaining discrimination' in services and modes of supply after a maximum ten year transition period. The EU and Mexico must also negotiate a mutual recognition agreement on mode 4 (presence of natural persons) by 1 April 2004. So far both parties have undertaken a list of commitments only with respect to financial services. The agreement comprises a standstill clause that impedes either side from introducing new discriminatory measures vis-à-vis the other. This clause means the consolidation (bounding) of the regulatory framework in place in Mexico at the date of the conclusion of the agreement. As a result of the Mexican practice of transposing international agreements into national law, the standstill provision in the EU - Mexico agreement ensures that EU service operators have access to the Mexican market at least as favourable as Mexico's NAFTA preferential partners (US and Canada).

The EU-Mexico FTA established seven special committees to facilitate the implementation of the provisions relating to Customs Cooperation and rules of Origin (CUSTOMS), Standards and Technical Regulations (STR), Sanitary and Phytosanitary Measures (SPS), Steel Products, Government Procurement, Intellectual Property Matters (IP), and Financial Services (FS). The special committees meet at least once a year. The CUSTOMS, STR and SPS committees have already met for the first time in 2001 in Brussels, Mexico and Brussels, respectively. The others committees will meet during the first half of 2002.

Further information on EU-Mexico FTA is available on the European Commission's **Directorate General for Trade (DG Trade)** website, specifically on the pages on **Bilateral Trade Relations with Mexico**.

DG Trade web site also provides **statistics** on the EU trade in goods and services with Mexico.

The following table is an overview of the tradeflow between the European Union and Mexico

Section	Year	Import(Euro)	Export(Euro)
Animals & animal products	1996	96,816,010	162,991,640
	1997	119,991,270	221,139,520
	1998	84,145,560	112,212,350
	1999	69,319,050	106,034,020
	2000	65,983,170	215,181,640

	2001	69,265,520	113,246,040
	2002	88,636,190	120,078,190
	2003	64,371,030	108,160,130
Vegetable products	1996	172,376,660	35,649,220
	1997	286,873,860	76,819,940
	1998	207,027,580	46,047,320
	1999	188,778,780	57,280,080
	2000	233,974,590	41,197,930
	2001	229,673,470	47,141,120
	2002	179,376,480	134,475,260
	2003	194,151,340	51,374,940
Animal or vegetable fats	1996	1,732,910	6,182,500
	1997	1,490,530	7,309,010
	1998	4,351,290	6,157,720
	1999	4,067,070	3,242,380
	2000	5,224,290	10,937,070
	2001	3,197,620	13,661,800
	2002	2,881,880	22,853,780
	2003	8,007,040	23,237,810
Prepared foodstuffs	1996	102,113,340	92,698,710
	1997	98,133,820	118,981,760
	1998	123,997,510	145,427,420
	1999	113,488,010	175,273,730
	2000	144,115,770	247,012,200
	2001	169,308,310	265,718,740
	2002	189,035,640	289,282,910
	2003	154,576,890	282,304,940
Mineral products	1996	591,568,410	10,054,960
	1997	846,537,800	18,618,860
	1998	651,765,200	15,925,300
	1999	846,495,470	24,346,360
	2000	1,733,543,960	70,762,720
	2001	1,552,443,120	151,183,790
	2002	1,536,820,310	217,829,840
	2003	1,343,190,720	147,889,810
Chemical products	1996	268,976,940	644,931,180
	1997	282,220,410	826,929,970
	1998	298,487,890	984,780,160
	1999	360,016,650	1,110,062,350
	2000	513,204,570	1,429,226,690
	2001	560,582,260	1,993,897,390
	2002	515,793,800	2,029,207,110
	2003	464,816,530	2,068,547,180
Plastics & rubber	1996	64,786,560	172,165,620
	1997	74,254,270	233,281,110
	1998	90,542,640	283,596,320
	1999	91,880,980	339,859,870
	2000	117,099,550	501,964,840
	2001	145,108,640	538,290,950
	2002	111,368,520	584,387,250
	2003	153,753,200	565,272,480
Hides & skins	1996	20,972,350	11,134,530
	1997	19,866,600	17,673,400
	1998	13,191,440	35,609,800
	1999	12,412,050	37,272,350
	2000	16,557,110	47,370,620
	2001	23,356,250	66,332,730
	2002	19,358,990	73,418,730
	2003	16,861,600	57,565,370
	1996	2,535,600	6,497,320
	1997	3,734,840	8,237,210

Wood & wood products	1998	2,992,990	13,527,220
	1999	3,921,680	12,181,390
	2000	3,103,830	17,035,390
	2001	2,078,390	25,250,570
	2002	1,977,070	31,689,180
	2003	1,294,840	36,987,900
Wood pulp products	1996	28,057,090	121,629,550
	1997	46,024,920	188,813,800
	1998	63,420,500	211,127,030
	1999	60,657,940	235,484,920
	2000	78,266,960	329,497,820
	2001	70,755,050	393,385,510
	2002	52,550,170	434,936,050
2003	34,753,450	407,993,730	
Textiles & textile articles	1996	107,989,360	96,827,800
	1997	116,920,520	171,478,420
	1998	90,020,390	227,222,220
	1999	65,136,390	239,667,520
	2000	72,641,860	322,517,420
	2001	83,774,030	412,039,550
	2002	91,884,690	506,396,490
	2003	91,851,870	465,678,440
Footwear, headgear	1996	16,062,350	5,586,930
	1997	25,382,150	10,962,010
	1998	20,604,290	17,573,730
	1999	14,084,120	17,970,360
	2000	10,498,120	32,053,910
	2001	8,633,560	57,990,000
	2002	6,311,870	81,667,680
	2003	5,785,120	66,387,970
Articles of stone, plaster, cement, asbestos	1996	25,835,200	76,475,100
	1997	28,538,610	127,825,720
	1998	37,003,610	160,684,990
	1999	41,504,740	174,117,450
	2000	45,632,860	183,472,000
	2001	56,995,170	208,807,030
	2002	46,118,450	241,867,960
	2003	34,820,960	207,722,570
Pearls, (semi-)precious stones, metals	1996	136,982,810	11,482,760
	1997	104,107,600	14,748,730
	1998	132,478,780	20,061,530
	1999	102,138,670	22,008,570
	2000	128,469,290	51,219,180
	2001	112,963,860	95,276,760
	2002	57,657,890	118,324,590
	2003	61,675,340	104,904,480
Base metals & articles thereof	1996	311,182,540	428,156,130
	1997	258,287,410	544,309,560
	1998	154,888,700	754,158,820
	1999	97,420,780	702,417,550
	2000	151,626,530	926,101,350
	2001	161,372,200	920,044,350
	2002	83,683,060	1,067,856,280
	2003	111,591,140	974,537,440
Machinery & mechanical appliances	1996	416,429,400	1,827,029,770
	1997	603,108,420	2,839,867,010
	1998	847,195,050	3,507,526,830
	1999	1,030,147,770	4,365,786,630
	2000	1,867,420,900	5,775,200,270
	2001	2,076,383,190	5,704,186,010
	2002	1,726,258,330	4,510,338,280

	2003	1,689,276,040	4,731,585,370
Transportation equipment	1996	152,881,270	482,556,080
	1997	130,392,310	738,962,330
	1998	265,998,900	1,142,300,620
	1999	579,078,490	1,291,115,170
	2000	585,453,850	1,869,125,930
	2001	767,016,150	1,751,942,930
	2002	449,999,700	1,922,279,370
	2003	888,497,980	1,988,446,100
Instruments - measuring, musical	1996	60,135,040	157,913,780
	1997	83,853,460	211,438,690
	1998	137,137,600	248,300,060
	1999	152,194,730	361,734,530
	2000	167,599,460	451,086,280
	2001	218,326,060	480,458,080
	2002	258,043,660	518,146,260
	2003	366,361,660	539,886,500
Arms & ammunition	1996	598,930	2,784,470
	1997	505,640	4,498,300
	1998	289,370	1,068,080
	1999	419,750	2,211,930
	2000	478,440	9,103,990
	2001	657,810	10,341,600
	2002	320,260	12,448,970
	2003	228,530	12,287,810
Miscellaneous	1996	48,147,470	51,679,490
	1997	73,766,220	80,897,210
	1998	86,260,380	105,848,510
	1999	82,665,090	138,899,860
	2000	90,979,080	185,879,350
	2001	66,967,610	220,607,570
	2002	61,125,220	247,753,360
	2003	49,634,760	206,926,020
Works of art	1996	3,950,780	2,394,660
	1997	1,332,850	3,470,990
	1998	12,890,840	7,337,280
	1999	2,763,770	3,567,760
	2000	9,824,650	1,269,700
	2001	1,975,030	3,908,050
	2002	1,588,830	2,882,840
	2003	575,720	3,982,750
Other	1996	21,159,670	18,247,190
	1997	20,457,280	16,379,590
	1998	25,641,230	40,988,280
	1999	30,408,880	20,232,270
	2000	75,568,030	18,774,870
	2001	104,163,380	23,815,490
	2002	107,910,930	31,325,290
	2003	92,341,530	21,230,800

Automotive
last updated on
2001-11-28

The transport equipment sector is the second largest manufacturing industry in Mexico, the automotive industry being specially important among metal industries. In 2000 car production reached 1.9 million units 2 million with exports totalling 1.4 million.

The industry consists of ten vehicle assemblers, all subsidiaries of multinational companies (General Motors, Chrysler, Ford, Volkswagen, Nissan, Honda, Mercedes Benz, CAMI Chevrolet/Suzuki, NAVISTAR, and BMW). A large number of parts manufacturers also supply the assembly plants.

This sector is one of the most integrated industries in North America and is the most

important one in the bilateral trade between the United States and Mexico and between Canada and Mexico. Also it is one of the key areas in trade between EU and Mexico.

The automotive industry has been a priority sector in Mexico's industrial policy since 1962. Policy for promoting it has been relying on strong protection from imports, tax incentives, restrictions on FDI, and local content schemes. Sector is governed by two decrees 1) The Decree for the Development and Modernisation of the Automotive Industry (The Auto Decree) and 2) the Decree for Development and Modernisation of the Commercial Vehicle Industry, regulating the transport vehicle assembly industry.

Recent Sectorial Promotion Programs, which replace Mexico's maquiladora system, allow for the duty-free import of components used in the manufacture and export of goods by assembly-for-export companies. These programs, known as PROSEC (Programas de Promocion Sectorial) include vehicles and auto-parts (Decree of 30/10/2000).

The EU-Mexico FTA includes a specific package for the automotive sector. Mexico has committed to eliminate its automotive decrees by 1st January 2004 and to improve the market access for EU originating cars. On 1 July 2000 tariffs were reduced from 20% to 3,3% and will be eliminated by 2003. EU vehicles imported by companies which are not established in Mexico also benefit from these preferential conditions. These conditions apply within a preferential tariff quota of 15% of the Mexican market which will be lifted by 1 January 2007.

Chemicals
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Mexico is the world's fifth largest oil producer and has the eight largest oil reserve base, estimated in 2000 at 46 billion barrels. The Mexican economy has been highly influenced by its petroleum sector and the fluctuations in petroleum price. Petroleos Mexicanos (PEMEX), the state oil company, accounts for one-third of federal government revenue.

Mexico is the world's seventieth largest petrochemical producer. Since 1996 there has been a steady reduction of PEMEX's monopoly over the production of petrochemicals. The private sector may now participate in the production of petrochemicals other than basic products reserved for the state. The products classified as basic have been reduced to allow the opening up of the sector to investors' competition. In 2000 petrochemical production went down by 35 per cent.

**Services -
Communications
& Audiovisual**
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As mentioned elsewhere, the EU and Mexico have not yet undertaken liberalisation commitments with regard to communication services under their FTA. Therefore, EU service suppliers for this sector remain subject to limitations on market access and national treatment **notified by Mexico under the General Agreement on Trade in Services (GATS).**

Specifically, EU providers of communication services are subject to limitations listed in the "all sectors" and "communication services" sections of **Mexico's 1994 GATS schedule**, with the amendments of **Mexico's 1997 supplementary schedule for "telecommunication services"**.

Postal services, telegraphy and radiotelegraphy are reserved to the State. In the telecommunication sub-sector, direct foreign investment is limited to a maximum 49% foreign participation in each firm, except in cellular telephone services where the percentage may be higher if authorised by the National Commission of Foreign Investment (NFIC). Value added services are open to foreign competition in Mexico, both through cross-border and local presence.

In the extended GATS negotiations on basic telecommunications, Mexico submitted an offer covering services such as voice telephony, packet-switched data transmission

services, facsimile services, paging services and cellular telephone services. Basic and value-added telecommunication services have been liberalised and opened to competition. Nevertheless, in August 2000 Mexico was requested for WTO consultations (case DS204) regarding the compatibility of certain practices and measures with its commitments and obligations under the GATS.

In the audio-visual service sub-sector, a concession granted by the SCT is required to establish and operate, or to operate only, a cable television system. Foreign investment in voting shares is not allowed in commercial broadcasting stations.

Currently communication and audio-visual services, like all services, are included in the **new WTO services negotiations**, which began in January 2000.

Further information about Mexican restrictions and liberalisation commitments (reservation phase-outs) on service supplies is available in **Mexico's 2001 Individual Action Plan (IAP)** report to APEC as well as in the *Schedules of Reservations* (a list of restriction fiches) that are usually attached to Mexico's FTAs.

Each of these reservation fiches contains information on:

- a) Service sector and sub-sector affected;
- b) Type of reservations taken with regard to obligations or commitments undertaken (National Treatment, MFN clause, Local Presence, Nationality of Senior Management and Boards of Directors, and Performance Requirements of an investment);
- c) Level of government (Federal or State) maintaining the measure for which the reservation is taken; and
- d) Name and description of the measures (constitution, laws and other regulations) that set out limitations on service supplies.

The Annex I of the 2001 FTA between **Mexico and the Northern Triangle Countries (Guatemala, Honduras, and El Salvador)**, the latest FTA signed by Mexico, includes a list of **Mexican reservations in several communication sub-sectors.**

Services -
Energy
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The energy sector accounted for 3% of GDP and 8% of total exports, and represented 56% of public investment in 2000. Since oil, gas, basic petrochemicals and the electricity industry are areas reserved by law for state investment, Mexico's energy services have been exclusively supplied by state-owned institutions, the national oil monopoly Petroleos Mexicanos (PEMEX) and the power companies Comision Federal Electrica (CFE) and Luz y Fuerza del Centro (LFC).

However, during the last decade there has been steady, but limited privatisation of the energy sector, as a result of energy reforms carried out by Mexico's former Presidents (Carlos Salinas and Ernesto Zedillo), in order to attract private investment in energy infrastructure without State guarantees.

The Salinas and Zedillo reforms entailed legal changes that allow private investors to produce electricity under certain modalities (i.e. self-supply, cogeneration, independent power production for sale to CFE and small production), and to develop natural gas transportation and distribution systems.

Not least because most power generation stations use natural gas as primary energy source, the CRE has granted to companies from Belgium, Canada, Spain, the United States, France and Mexico **99 permits for the construction and operation of 39,517 kilometres of pipeline** in 24 of Mexico's 31 states since 1996. As regards power generation plants for CFE

consumption, 15 permits have been granted to foreign investors, some of which with headquarters in France and Spain.

For the Fox administration, the Energy Sector Programme 2001-2006 is the main priority of Mexico's National Development Plan 2001-2006. The Fox Energy Reform primarily proposes the creation of a spot market for electricity. It also includes a programme to offer multiple service contracts (MSCs) between PEMEX and foreign oil firms. This means that foreign investors will be able to explore and to produce natural gas without the Mexican Constitution having to be amend, since Article 27 requires State ownership of all natural resources including solid, liquid or gaseous hydrocarbons.

Services -
Financial
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Financial services, like all services, are included in the new WTO services negotiations, which began in January 2000. Currently, financial service supply to Mexican market is subject to limitations listed by Mexico in its 1998 supplementary schedule for "financial services"(GATS/SC/56/Suppl.3).

As reported to APEC in Mexico's 2000 Individual Action Plan (IAP), since January 1999 foreign participation (up to 100% of stock) has been allowed in Mexican banks and brokerage firms, with the exception of development banks and credit unions.

In the extended GATS negotiations on financial services, Mexico submitted an offer which entered into force on March 1st 1999. Such offer improves foreign investment participation in the following sectors: insurance and insurance related services, banks and security firms, limited purpose financial institutions, factoring and leasing financial companies, foreign exchange firms, investment companies, credit information companies, investment consultancy services, guarantee institutions, general deposit warehouses, and pension fund management companies. Cross-border insurance service supply remains subject to restrictions.

EU financial service suppliers are subject to Mexican restrictions listed in the EU-Mexico FTA in services (Annex I. Part B). The structure of the Annex I. Part B, with three columns for sector or sub-sector, mode of supply subject to reserve, and description of measure, differs from the GATS schedule with its four columns including limitations on market access (second column) and national treatment (third column).

The FTA (Article 23) established a Committee on Financial Services which will review market access and will, in particular, negotiate further liberalisation should either the EU or Mexico "may grant a third party more favourable access to its financial services market" as a result of a regional economic integration agreement. In other words the EU - Mexico agreement guarantees the right of EU financial service suppliers to seek access to the Mexican market as favourable as Mexico's NAFTA partners.

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TARIFFS AND DUTIES

Mexico bases its tariff schedule on the Harmonised System (HS). Import tariffs applied to industrial products range between 20% (maximum) and 10% (minimum), with some exceptions (pharmaceutical and capital goods pay zero MFN duty).

Since July 2000 European exports are granted a preferential duty under the EU-Mexico FTA. The preferential rates applied to imports from the EU will be phased out following the tariff dismantling schedule established in the FTA. Current duty rates may be searched by either an HS Product Code (4 or 6 digits) or by Keywords describing the product in the Applied Tariffs section of this Database.

The Mexican tariff reductions for EU products are indicated by category in the Articles 6, 9 and 10 of the **EU-Mexico Free Trade Agreement**. These articles are completed by the FTA Annex II, the **Mexican tariff elimination schedule**, which provides the following information (in Spanish): HS code (8 digits), description of the product, base rate (the tariff rate from which the first tariff cut is made) and the liberalisation categories.

Tariff Predictability (Maximum Rates Permitted Under WTO Bindings)

In the context of the Uruguay Round, Mexico has bound its entire tariff schedule, including agricultural and industrial products. The rates that Mexico actually applies are in most cases much lower than corresponding WTO bound levels.

The general rate for bindings on non-agricultural products is 35%, with certain exceptions where the bound rates vary between 50%, 40% or 30%. These exceptions affect a relatively wide range of manufactured products, highest 50% bound rate covering e.g. most chemical and pharmaceutical products, certain plastics and rubber products, paper and paper board products, fabrics, iron and steel products, certain machinery and vehicles. For agricultural products a number of products are subject to much higher bound rates, following the tariffication commitments made in the Uruguay Round.

However, products that under the bilateral rules of origin of the EU-Mexico FTA are originating in the EU are bound by Mexico's schedule of tariff commitments (see above).

Tariff Levels

● 960155- *Tariff predictability [2002-01-28]*

Mexico has bound most of its tariffs at 35%. While the maximum level actually applied is generally 20%, this leaves considerable room for manoeuvre on tariffs.

Since July 2000 European exports are granted a preferential duty under the EU-Mexico FTA. The preferential rates applied to imports from the EU will be decreased to zero following the tariff dismantling schedule established in the FTA. Current duty rates may be searched by either an HS Product Code (4 or 6 digits) or by Keywords describing the product in the Applied Tariffs section of this Database.

The Mexican tariff reductions for EU products are indicated by category in the Articles 6, 9 and 10 of the EU-Mexico Free Trade Agreement. These articles are completed by the FTA Annex II, the Mexican tariff elimination schedule, which provides the following information (in Spanish): HS code (8 digits), description of the product, base rate (the tariff rate from which the first tariff cut is made) and the liberalisation categories.

Agriculture and Fisheries Tariff Quotas

● 020018- *Tariff Quota for dairy produce [2002-05-06]*

In October 2001 Mexico created a new customs code for preparations for industrial use based on milk powder. Previously all preparations unsuitable for immediate consumption with a milk solid content exceeding 10% by weight were classified in the HS code 1901 9003 and the customs duty was levied at a tariff rate of 10% on an ad valorem basis.

The new eight-digit HS code 1901 9005 comprises the preparations for industrial use with a milk solid content exceeding 50 % by weight, while the preparations with a milk solid content less than or equal to 50% remain in the HS code 1901 90 03.

A higher tariff rate has been imposed on the preparations classified in the new customs code. The rate of 10%, which continues to be levied on the preparations of HS code 1901 9003, has been increased to a 109% duty for products of the new customs code 1901 9005.

The Mexican regulation, which has split the dairy-based preparations for industrial use into two customs codes and has substantially increased the customs duty from 10 to 109% for certain preparations, has at the same time **created a duty-free quota** for the preparations charged with highest duties.

The amount and the allocation system of the tariff-free quota for imports of those preparations to be imported in 2002 were published by the Ministry of Economy in **Mexico's official journal of 4**

March 2002 (see ACUERDO on page 9).

The annual quota for the year 2002 has been set at 44,200 tonnes, of which 70% (30,940 tonnes) are distributed through a direct allocation method. Most direct allocations (25,989.6 tonnes) are reserved to processing firms, who are obliged to totally transform the merchandise; the rest of them (4,950.4 tonnes) are reserved to Liconsa, the state enterprise responsible for the supply of milk powder and liquid milk at subsidised prices to low-income families. The remaining 30% of the quota (13,260 tonnes) are assigned to traders through public bids. The call for tender and the conditions of participation must be published in the official journal at least twenty working days in advance of the start of the application period; the allocation certificates, granted by the Directorate-General of Services for Foreign Trade of the Ministry of Economy, are nominative and not transferable.

The introduction of a tariff quota and new customs duties on food preparations with a high milk solids content has been detrimental to EU exports of milk preparations: only 5,000 tonnes of EU product are estimated to have been shipped in the fourth quarter of 2001, as opposed to 7,900 tonnes in 2000 during the same period.

Even though the regulation of the quota for 2002 was published at the beginning of March and the first quota instalment was due on 30 April, the Mexican authorities have not allocated any certificates and EU exporters have been prevented from exporting any of the concerned goods since the start of 2002. By contrast, imports from the United States have free access to Mexico without any tariff quota restrictions under the NAFTA agreement.

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TRADE DEFENCE INSTRUMENTS

The Mexican anti-dumping measures in force at 31 December 2001 concern the following EU commodities:

- Parathion-methyl, from Denmark
- USP-grade sorbitol, from France
- Modified starch, cationic, from Netherlands, and
- Crystal polystyrene, from all the EU countries.

In April 2000 an anti-dumping investigation was opened against acrylic fibre from Spain. The results of the findings were negative and the Mexican authorities decided to terminate the proceeding in December 2000.

In May 2002, (**Official Journal of 16-05-02**), an antidumping investigation was initiated against Spanish glazed ceramic flagstones and paving, hearth or wall tiles, known as 'ceramic coverings' (HS 6908.90.01).

During 2001 the European Commission joined to the WTO consultations requested by Brazil and Chile in regard to Mexico's antidumping duties on imports of electric transformers and matches, respectively, because these measures considerably affect the activities of EU companies in Mexico.

Countervailing duties against EU bovine meat have been in force since June 1999.

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NON TARIFF BARRIERS

Registration, Documentation, Customs Procedures

Despite the Customs Reform Law of 1995, updated in 1996 and 1997, the Mexican *customs procedures* continue to be affected by lack of coherent treatment, changing requirements without previous notification, long clearance times and high frequency of "random" physical checks, particularly in the sensitive sectors (textiles, shoes, toys, consumer electronics products). According to the Mexican authorities, the selection of the cargoes to be checked is made at random at a fixed target of 10 % of total amount of imported products. This rate is higher for "sensitive" products, and importers and customs

agents considered at risk are singled out for 100% check.

Importers are required to be registered with the National *Register of Importers*. In addition, there are Sectoral Registers where importers of certain specific products must be listed. Importer registration procedures may take several months.

Certain goods are not allowed to be released through all Mexican ports of entry. The **Mexican Rules of Foreign Trade, called Resolución Miscelánea de Comercio Exterior**, establishes that specific goods may be released only in the customs offices listed in its Annex 21. Currently the "list of authorised ports of entry for specific products" comprises sixteen groups which include the following goods: Pig fat, Beer, Cigars and cigarettes, Matches, New pneumatic tyres for bicycles, Used pneumatic tyres for bicycles, Footwear and parts thereof (all HS chapter 64), Bicycles (HS 871200), Pencils (HS 9609 10 01), Group XI (meat, milk, live animals, hides and skins, milking machines and others, etc.), Apples, Magnetic discs and records, Recorders (HS 8520 90 99), Textiles (Chapters 50-63), and Seed Potatoes (0701 10).

The rule 3.26.1, which refers to Annex 21, *exempts the in-bond for re-export industries (or maquiladoras) as well as the companies participating in the "Programa de Importacion Temporal para Producir Articulos de Exportacion (PITEX)" from Annex 21 requirements.* Both of them may carry out the import customs clearance of intermediate goods and other inputs at any port of entry.

Quantitative Restrictions and Related Measures

Mexico uses a c.i.f. basis to calculate the *customs value* of imports originating in all countries except Canada and USA. These two countries benefit from the use of f.o.b. value, which gives them a competitive advantage compared to EU imports. The EU-Mexico FTA sets out that from 1 January 2003 imports from EU and NAFTA countries will receive the same favourable treatment in respect of customs valuation.

An *estimated price system* for the control of declared customs values was introduced in the 1994 to fight growing under-invoicing while complying with WTO customs valuation agreement. The system consists of the obligation to deposit a guarantee if the declared customs value is lower than the estimated prices. Such prices are published and revised at least once a year or at any moment if so requested by an interested party. At the moment 260 tariff items are covered by this measure, most of them finished products.

Also in 1994 Mexico introduced a legislation on rules of origin for products subject to anti-dumping and countervailing duties to avoid some trade diversion, in particular of certain goods originating in Asian countries.

The basic regulation on *rules of origin* is the **Acuerdo of 30 August 1994** establishing rules for the determination of the country of origin of imported goods and establishing the provisions for their certification regarding compensatory duties. The Annex III of the Acuerdo contains the certificate form, which must be filled out for imports of products listed in the Annex II, except those originating in countries that have concluded preferential agreements with Mexico. The *non-preferential certificate of origin (Annex III)* does not concern imports of goods originating in EU countries, but affects EU exports which do not fulfil the conditions to obtain preferential origin under the EU-Mexico FTA. The certificate Annex III requirements are extremely strict (e.g. legislation in the country of origin and detailed information concerning the shipment) and block triangular trade from certain countries.

Exports of products originating in EU countries must be accompanied by a *preferential certificate of origin* to benefit from the preferential treatment agreed in the EU-Mexico FTA. The Annex III of this agreement contains a specimen of the "movement certificate EUR.1", which is used as the preferential certificate of origin for most products of trade between the European Union and Mexico.

Standards, Sanitary and Other Technical Requirements

In 1992 Mexico introduced a new law on *standards* and measurement, the Ley Federal sobre Metrologia y Normalizacion (LFMN), amended in May 1999, which established mandatory *technical regulations* (Normas

Oficiales Mexicanas - NOMs) and voluntary quality standards (Normas Mexicanas NMXs). Importers must obtain compliance certificates if their products are subject to NOMs. Certificates, which are normally valid for six months, may be obtained from the approved competent national authorities in Mexico or accredited certification bodies.

All relevant standards and technical regulations may be found at official web sites. The "[Catalogo de Normas Mexicanas \(NMX\)](#)" may be searched by keyword, date, type or economic sector, while the "[Catalogo de Normas Oficiales Mexicanas \(NOM\)](#)" may also be searched by products, [tariff headings \(Acuerdo on HS goods subject to NOMs\)](#) and government departments.

The Mexican Federal Law on Metrology and Standardisation (LFMN) provides that NOMs take into account international standards, and indicate whether there is concordance with international standards. Although Mexico is a member of ISO, IEC and Codex, US standards are followed because of commercial opportunity (around 70% of Mexican external trade is with the US). An electronic version of the "[Mexican regulation that identifies tariff items subject to compliance with NOMs](#)" at the border is available through the Internet.

Mexico supports the programmes that the International Laboratory Accreditation Cooperation (ILAC) and the International Accreditation Forum (IAF) are developing to establish voluntary worldwide recognition with common criteria for accreditation and conformity assessment.

NOMs are issued by 9 Mexican government agencies, which in accordance with the LFMN have the responsibility of publishing their own conformity assessment procedures. The State Secretariat of Economy published its revised conformity assessment procedures on the 29 February 2001. These procedures apply only to NOMs issued by the Secretaria de Comercio y Fomento Industrial (SECOFI), now Secretaria de Economía, and allow foreign manufacturers from countries having trade agreements with Mexico to directly request conformity assessment certificates. These procedures allow expansion of the ownership of a NOM certificate to more than one importer.

The Ministry of Agriculture has also published its certification procedures. Three Ministries (Economy, Energy and Environment) are developing together energy efficiency standards in which common conformity assessment procedures are to be established.

In 2002 Mexico will chair the Committee on standards and technical regulations of the Asia-Pacific Economic Co-operation (APEC). As consequence of the APEC exercise on conformity assessment procedures, Mexico is considering a supplier's declaration of conformity in certain sectors. Concerning electrical and electronic products, Mexico has concluded the arrangement relating to test reports in the APEC Mutual Recognition Arrangement on Conformity Assessment of Electrical and Electronic Equipment (The APEC Electrical MRA - Part II of the Arrangement).

Mexican labelling requirements can in some cases be complicated to comply with. The requested commercial information, which each label must bear, is excessive. Mexico's trade partners have insisted on the need of simplification and flexibility of the compliance with labelling requirements at the border (e.g. use of temporary or permanent stickers, stickers on the package, legend on the package or the secondary package, acceptance of analogous terms, use of pictograms). They have also pointed out that control at border of information destined to the consumer is not necessary and, combined with the Mexican requirements which in most cases oblige to add a special label for Mexico (even when the product is already labelled in Spanish) can be very burdensome for the importer and is not needed by the customs as they have it on customs documentation.

Certain Mexican *sanitary and phytosanitary import regulations and procedures* are not published. Although a wide range of NOMs are laid down, the final implementation of SPS regulations by customs officers is sometimes discretionary.

Registration, Documentation, Customs Procedures

In December 1994 Mexico changed its customs valuation system, using a CIF basis for imports originating in all countries except Canada and USA, these two countries continuing to benefit from the use of FOB value. These measures appeared linked to the creation of the NAFTA and thus raised the question on the WTO conformity of restrictive measures taken in the framework of Free Trade Areas.

As from 1 January 2003 Mexico will afford to imports from the EU the same treatment in respect of customs valuation than to imports of products originating in Canada and USA, following the article 18 of the **EU-Mexico FTA** (Decision 2/2000 of the EC-Mexico Joint Council of 23 March 2000).

● 990053- *Importer registration* [2001-08-06]

All Importers must be registered in a general roster (Importers' Register); and for certain specific products, importers must submit an additional application to be listed in the Specific Sectoral Registers.

Applications must be presented together with documents basically intended to prove importer's regular situation in fiscal matters.

Currently the Specific Sectoral Registers include some Harmonised System (HS) items of the following 25 sectors:

- Pork meat
- Poultry meat
- Sheep or goat meat
- Fruits
- Animal fats and oils
- Beer
- Wines and spirits
- Cigars
- Chemical products
- Household care products
- Pneumatic tyres
- Pencils
- Plywood
- Diapers
- Textiles
- Accessories for clothing, luggage and footwear industries
- Footwear
- Steel
- Hand tools
- Padlocks and other locks
- Electronics
- Automotive industry
- Bicycles
- Toys, and
- Lighters.

Importer registration procedures in a sectoral register are cumbersome and time consuming. They increase the costs of goods imported into Mexico and represent a further bureaucratic barrier to trade from EU countries.

- DG Trade Market Access Unit proposes including this barrier on the agenda of the next meeting of the EU-Mexico FTA Special Committee on Customs and Rules of Origin. The meeting, chaired by TAXUD on the EC side, will be held in 2002 in Mexico

● 010027- *Certificates EUR.1 Refusals for technical reasons* [2001-09-17]

Since the entry into force of the Free Trade Agreement (FTA) between the European Union (EU) and Mexico in July 2000, EU economic operators have faced serious problems of implementation of the FTA Annex III. This Annex refers to the "definition of the concept of originating products and methods of administrative cooperation". It stipulates that products originating in EU countries will benefit from the scheduled elimination of Mexican customs duties upon submission of either: (a) a movement certificate EUR.1, or (b) in some cases, a declaration, given by the exporter on an invoice, a delivery note or any other commercial document, which describes the products concerned in sufficient detail to enable them to be identified (the so called "invoice declaration")

European exporters have been confronted to the almost systematic Mexican rejection of proofs of origin (certificates EUR.1 or invoice declarations) and to numerous requests of amendments of these proofs of origin by Mexican customs agents.

For Mexican authorities, the rejection or requests of amendments of origin certificates were caused by the incorrect application of the provisions of the EC-Mexico FTA Annex III by European operators and customs authorities; on the contrary, Mexican customs officers strictly apply the EC-Mexico FTA provisions as far as proofs of origin are concerned.

Among other provisions, the Annex III stipulates that the paper used for a movement certificate EUR.1 must be white and shall have a printed green guilloche pattern background making any falsification by mechanical or chemical means apparent to the eye (Appendix III.1).

The Annex III provisions are implemented by Mexican customs officers in a way that they reject movement certificates EUR.1 for their unsatisfactory green colour. In particular, the Veracruz customs office has demanded that a more intense, greener colour, be printed on EUR.1 certificates to accept them as valid proofs of origin.

As a result of Mexican refusals of certificates EUR.1, the originating products in EU countries can be cleared only if the full non-preferential customs duties are paid. These customs procedures substantially hinder the developing trust between European exporters and Mexico.

Quantitative Restrictions and Related Measures

980016- Minimum estimated prices [2002-02-08]

In 1994 the Secretary (Ministry) of Finance and Public Credit (SHCP) of Mexico introduced an **estimated price system to combat the under-invoicing** of customs value for certain products.

The system was set up by a the Resolution of 28 February 1994 which established a mechanism of guarantees for collection of customs duties and other charges payable by reason of the importation of goods subject to estimated prices. This system includes two key factors: a) an annex listing goods and estimated prices, and b) a mechanism of valid guarantees.

Under the estimated price system, the importers who declare a customs value below a reference price estimated by the SHCP are required to guarantee the payment of the customs duties and all other duties and charges arising from the difference between the declared value and the estimated price.

Changes of the system

Both *the number and the price* of goods subject to estimated prices have been amended since 1994, as well as *the mechanism of guarantees*.

List of goods subject to estimated prices

During the period 1994-2001, the number of products included in the list of goods subject to estimated prices increased considerably, rising from 7 in February 1994 to 290 items in June 2001. These items, identified by the eight-digit number of Mexico's Harmonized Commodity Description and Coding System (HS), are listed in the Annex of the above mentioned Resolution of 28 February 1994.

The Annex has often been amended by numerous SHCP Resolutions, which either add or abolish, tariff codes, or they amend the estimated price of certain goods. **On 6 June 2001 the Annex was completely reviewed to list all goods subject to estimated prices in a single document.** At that time it comprised 290 items. The Annex of 6 June 2001 has already been amended **to include more items (like glass) and to modify estimated prices of footwear and other articles.**

Mechanism of guarantees

A) Deposits instead of Bonds: in 1999 the SHCP amended the method of guarantees set up by the Resolution of 28-2-1994. Since 1994 importers have posted bonds to cover the difference in tariff duties and other taxes between the declared custom value and the estimated price. These bonds were closed when the importer provided Mexican authorities with the invoice signed by the exporters' Chamber of Commerce attesting that the declared customs value was correct.

Nevertheless, a **Resolution of 21 September 1999, published in October 1999, required that importers should make a deposit** in the so-called customs account of guarantees (Cuenta aduanera de garantía) at a financial institution to ensure the payment. Even though the Resolution came into force on 1 November 1999, this mechanism of deposits was not enforced until October 2000.

In accordance with the **Resolution Miscellaneous on Foreign Trade of the SHCP (Rule 3.13.4 amended in May 1999)**, some lines of irrevocable credit are considered equivalent to deposits made in the customs accounts of guarantee.

B) Guarantee Release: as a general rule, the release of guarantees will be requested by importers **six months after the import operation** (Art. 86-A of customs law). However, **importers are allowed to apply for the release of deposits within a period below six months**, provided that at least 3 months have passed from the importing date (Art. TERCERO as amended at 21-9-1999 of the Resolution of 28-2-1994 which set up the guarantee mechanism). When a verification procedure has been initiated, the guarantee release delay may exceed the general 6-month period and be extended until the Mexican authorities dictate a final decision (Customs Law, Art. 86-A).

The request for deposit release will be submitted together with:

- a) The exporters invoice certified by the competent authority (Chamber of Commerce or similar organisation) of the exporters' country, or
- b) A verification report on the price (paid or to be paid) of goods, provided that the verification is made within the 60 natural days before final importing.

Determination of final customs value

According to SHCP (meeting with DG TRADE officials on 27 March 2001), the determination and regular update of the estimated prices takes into account the following elements:

- Prices and their variance in other markets;
- Comparison with domestic prices and costs;
- Comparison with published international prices for commodity products; and
- Meetings with industry and importers concerned to agree upon a realistic price.

SHCP officials have pointed out that the estimated price is never used to determine the final value. The main source for information is the importer's accounting system. To calculate the final value they use the rules of the WTO Customs Valuation Agreement, and as a last resort may use a constructed value.

- On 22 March 2002 DG Trade formally requested Mexico's Secretary of Economy to consider the estimated price system in order to avoid disruption of trade between the EU and Mexico, and to ensure that the system is in line with Mexico's multilateral and bilateral engagements.

Standards and Other Technical Requirements

● 970204- *Labelling requirements* [2002-05-15]

Mexican labelling requirements can in some cases be complicated to comply with. EU exporters of consumer products such as textiles, leather, spirits, glass, and ceramic tiles, have complained about the burdensome nature of labelling requirements in Mexico. Their complaints concern the following technical regulations:

- Labelling standard **NOM-050-SCFI-1994 on commercial information** (TBT notifications No 96.359 of 30/9/96 and No 97.109 of 3/4/97)
- Labelling standard **NOM-051-SCFI-1994 on pre-packed foodstuffs and non-alcoholic beverages** (TBT notification No 96.359 of 30/9/96),
- Labelling standard **NOM-004-SCFI-1994 on textile products** (TBT notification No 97.108 of 3/4/97),
- Labelling standard **NOM-142-SSA1-1995 on alcoholic beverages** (SPS notification No 113 of 30/10/96), and
- Labelling standard **NOM-020-SCFI-1997 on leather goods and artificial leather** (TBT notification No 97.611 of 7/10/97).
- Official standards **NOM-030-SCFI** and **NOM-008-SCFI-1993** (now in revision as **PROY-NOM-008-SCFI-2000**) **regarding system of units.**
- Technical regulations **NOM-015-SCFI-1998 on toy commercial information** and labelling and **NOM-015/1-SCFI/SSA-1994 on toy safety** and commercial information.

The requested commercial information, which each label must bear, is excessive. For example, labels must include the name, corporate name and fiscal registration of the importer. Labels have to be of certain size, letters to be used must have certain precisely defined typographical proportions and even the empty space surrounding text is defined.

Besides, product information stated in a label in a foreign language has to be identically repeated in Spanish using the same typography, colours, etc., which in many occasions is practically impossible. Also the indication of the country of origin must be expressed in Spanish (internationally used "made in" is not accepted). Similarly, other standard expressions like "shampoo" or "sweater" are not accepted.

Mexico has notified its labelling regime as consumer protection measure. Therefore, control at border of information destined to the consumer is not necessary and, combined with the Mexican requirements which in most cases oblige to add a special label for Mexico (even when the product is already labelled in Spanish) can be very burdensome for the importer and is not needed by the customs as they have it on customs documentation. Regardless of this, intermediate products do not fully seem to escape the labelling requirement. This is in particular the case with hides and skins. Also certain other intermediate products or products that will be repackaged before being sold to the final consumer have to be labelled when it is not the importer but an other operator who involves products in a production process or repackages them.

As Mexico's labelling requirements are often different from those set out by the EU, exporters have in most cases to attach special labels to products to export to Mexico, even when the products are already labelled in Spanish.

This is sometimes costly to fulfil in the country of origin, but the alternative is to pay for the control of the so-called Verification Units.

Importers (or manufacturers) may use the services Verification Units, which are private entities authorised to control the conformity of labels with the relevant official norms. As an alternative to comply with the labelling requirements before importation, importers may submit each shipment to the control of the private Verification Units. Mexico has noted that the use of verification units is voluntary, that this procedure simplifies fulfilment with Mexican requirements and that verification at the border ensures that the product fulfils the specific technical requirements when it is sold in Mexico.

The Verification Units charge 200-250 USD per "dictamen" (control of a label). Each "dictamen" covers one product or a family of products; thus the verification price of a shipment containing many different items or models is very high.

If imported products fail to fulfil the requirements provided in the Mexican labelling legislation at the moment of importation, sanctions can be imposed. These sanctions based on the Customs Law are imposed on importers in the form of fines (up to 70% of the value of the goods) or even the seizure of the products.

Mexico's trade partners have insisted on the need of simplification and flexibility of the compliance with labelling requirements at the border (e.g. use of temporary or permanent stickers, stickers on the package, legend on the package or the secondary package, acceptance of analogous terms, use of pictograms).

- The Special Committee on Standards and Technical Regulations (STR Committee) under the Free Trade Agreement between Mexico and the European Union will meet in June 2002.
- A **Notice listing 319 Mexican Technical Regulations** (Normas Oficiales Mexicanas, NOM) that are submitted to public consultations for their five-year revision was published in the **Official Journal of Mexico of 6 Mai 2002**.

The 319 NOM grouped into categories following their **National Advisory Standardisation Committee** are being reviewed according to the Mexican **Law on Metrology and Standardisation (LFMN)**.

Interested parties are kindly invited to send their comments, preferably by e-mail, to leonor.palacio@cec.eu.int, indicating in particular:

1. The reference to the NOM and the respective Advisory Standardisation Committee.
2. The part of the NOM that causes unnecessary obstacle to trade and a clear description of the problems encountered.
3. The reference to the International or European Standard to which the Mexican NOM should be adapted, if any, or reference to any relevant Community legislation.
4. A proposal for an alternative text.

Agriculture and Fisheries

Sanitary and phytosanitary measures

010024- Mexico- Cured Ham [2004-05-03]

Cured ham (jamón madurado) from France is allowed to be imported directly into Mexico, provided it complies with the sanitary requirements indicated in the import guide fiche Reporte de Combinación Autorizada . However, Italian or Spanish ham may enter the Mexican market only if it meets the US import requirements applied to ham from those countries and also if it has previously been imported into the US.

Thus exports of ham from Italy or Spain into Mexico are hindered by a triangular, needless trade mechanism of wasting time and increasing costs through the US.

Mexican regulations concerning ham import are issued by the Direccion General de Salud Animal of the **Comisión Nacional de Sanidad Agropecuaria (CONASAG)**, a decentralised office of the Secretaría de Agricultura, Ganadería, Desarrollo Rural, Pesca y Alimentación (SAGARPA).

040008-Mexico- Footh and Mouth Disease Meat [2004-05-13]

Import ban on meat and meat products from clooven hooved animals because of FMD. FMD is a very contagious disease mention on the A list of the OIE (Office International des Epizooties). A Third Country can easily put in place a ban on import of animal and animal products arguing that FMD is present in the territory of the exporting country. The ban is usually based on paragraph 1 of Article 2 of the SPS agreements where Members has the right to take sanitary and phytosanitary measures necessary for the protection of human, animal or plant life or health...

Memberstates banned: Austria (is free of FMD since many years and the ban is unjustified).

- According to information provided by Austrian competent authorities (March 2004), this Member State is reluctant to continue bilateral negotiations with Mexico. The Mexican authorities requested a mission to be conducted in Austria as a pre-requisite for the

negotiations to go on, but the lack of justification (Austria has been free of FMD since many years) for such a veterinary mission made the Austrian authorities to give up for this SPS export problem. In order to get more information, please contact DG SANCO, Unit E3 (Mr. Scannel).

● **040051-Mexico- Milk and Dairy products, bovine semen [2004-12-20]**

Ban on imports of live animals, meat and meat products from ruminants, meat and bone meal (except fishmeal), dairy products, embryo, semen, protein hydrolized, gelatin and blood meal due to BSE

Products banned from most EU Member States.

- General statement on BSE to all Third Countries at SPS Committee on 17/03/2004 in reaction on the statement of the USA
During the XXXI SPS Committee in October 2004 the Commission has given a general statement on BSE (Bovine Spongiform Encephalopathy). Some WTO members started to lift the ban due to BSE for some EU live ruminants and ruminant derived products (e.g.: China, New Zealand, Brazil, Philippines). The EC requested other WTO members to follow the same line and to respect guidelines as set up by international organizations (OIE).

● **040092-Mexico- Pig hams [2004-10-01]**

import restrictions of pig hams due to implementing procedures during the listing of EU establishments. Mexico requires a veterinary inspection to be carried out on-the-spot for each new EU establishment to be listed. The Mexican authorities refused to accept the pre-listing establishment procedure for Member States (ES).

In addition, IT is also facing problems to export to Mexico due to animal health reasons. Mexico refuses to recognise the regionalisation for pig diseases within the EU.

● **040009-Mexico- Honey, freedom of disease [2004-10-01]**

Import ban on honey because of certain bee diseases. Mexico would require to the exporting Third Countries to be free for some bee diseases which according to OIE (Office International des Epizooties) rules, should only be applied to live bees and not for honey.

● **040096-Mexico - Pig meat [2004-09-27]**

Ban on the import of pigmeat due to Classical Swine Fever: non recognition of regionalisation. For further information contact SANCO E3 (Mr Scannel)

Machinery

Quantitative Restrictions and Related Measures

● **960148- Import licensing [2001-08-01]**

Import licenses are required for imports of certain used machinery. The list of used machinery subject to a compulsory import permit includes automatic data processing machines, magnetic or optical readers, and machines for transcribing data onto data media in coded form.

Import permits are also required for import of other second hand machinery such as machinery designed for mounting on road vehicles (hydraulic cranes), fork-lift trucks, graders and levellers, sewing machines, crushing or grinding machines, and static converters.

In practice, imports of used machinery are prohibited. The Free Trade Agreement between Mexico and the European Union allows Mexico to maintain prohibitions or restrictions on the importation of aforementioned used products until 31 December 2003.

Other Industries

Standards and Other Technical Requirements

● **990054- Toy multiple certification [2001-10-11]**

In addition to NOM-015-SCFI-1998 on toy commercial information and labelling, imports of toys into Mexico are subject to NOM-015/1-SCFI/SSA-1994 on toy safety and commercial information. The NOM on toy labelling concerns only the Secretaría de Comercio y Fomento Industrial (SECOFI), now Secretaría de Economía, while the NOM 015/1-SCFI/SSA-1994 on toy safety has been established by the SECOFI together with the Secretary of Health (Secretaria de Salud).

As a general rule, conformity assessment certificates may only be requested by Mexican importers or distributors. When NOMs are issued only by SECOFI, foreign manufacturers from countries having trade agreements with Mexico may directly request NOM conformity certificates that may be used by their importers or distributors. Thus a single NOM certificate drawn up for a product to the name of an exporter may be used by several importers of the same product.

However, since the NOM 015/1-SCFI/SSA-1994 on safety requirements for toys has been set up jointly by SECOFI and another Mexican agency, European exporters of toys are not allowed to request directly safety conformity certificates for their products.

Toy safety certificates must be requested by importers and are valid only for the importer that has applied for certification. If another importer is going to import exactly the same toy, the product has to be certified again. Thus each toy is subject to as many safety certificates as importers of the same product, and toy imports are subject to multiple product certification.

Certification procedures are always expensive and constitute a significant impediment to market access. The additional costs and time delays associated with Mexico's multiple product certification severely restrict the access of European toy manufacturers to the Mexican market, while Mexican exporters of toys to the European market don't need but a single certificate of conformity with Council Directive 88/378/EEC concerning the safety of toys. This certificate may be issued to either the Mexican exporter or to his European importer.

● 990055- *Toy guns* [2001-10-09]

Toys containing fulminating powder such as toy guns are not allowed to be imported into Mexico without a special permit issued by the Secretary of National Army. This permit is extremely difficult to obtain and constitutes a further import requirement that impedes the exports of toy guns to Mexico.

European exporters complain that in practice this kind of toys is totally prohibited into Mexico.

Textiles and Leather

Registration, Documentation, Customs Procedures

● 990056- *Non-preferential certificates of origin* [2001-10-10]

In 1990, Mexico adopted compensatory duties on imports originating in some Asian countries (China, Hong-Kong, Korea). In 1994, in order to ensure the implementation of these measures, SECOFI established strict formalities concerning the certificate of origin for textiles, clothes and shoes.

The basic regulation is Acuerdo SECOFI of 30 August 1994 establishing rules for the determination of the country of origin of imported goods and establishing the provisions for their certification regarding countervailing duties.

Under this regulation, imports of textile and clothing products must be accompanied by a special certificate of origin (Anexo III). The certificate Anexo III is a special certificate of origin, which is compulsory for textile and clothing goods and applies to all originating countries (with the exception of preferential goods under Free Trade Agreements). Thus imports of goods originating in the European Union are not subject to the Acuerdo SECOFI of 30 August 1994.

However, the European exporters are suffering from two specific problems as a result of the Anexo III requirement:

- (1) Rejection of certificates;
- (2) Problems related to issuing of licences and transshipments with respect to products that are produced outside the EU

Rejection of certificates.

The certificate must contain various data concerning the identification of the producer, of the exporter and of the importer (including addresses, fax, telephone, fiscal registration number).

Customs authorities may reject the certificate for such minor errors as a wrong fax number, misspelling, differences in letter types within the certificate (although, according to the legislation some parts of the certificate may be completed by the importer or by the exporter). Other reasons for the rejection of certificates are: insufficient description of the product, although the product is accompanied by a detailed description made on the invoice; customs do not accept some words, e.g. cashmere is refused, with cachemira required instead, sweater is also refused, with sweater required instead even if the first mentioned alternatives would be equally understandable and sufficient for the purposes of defining the origin of the product; classification of the product is not accepted by Customs.

If the certificate is rejected, importers cannot provide a new certificate. If importers request the EU exporter to send a new certificate, this document will be dated posterior to the entry of the

products in the Mexican territory, and Mexican customs will therefore refuse this new certificate.

When the certificate is rejected by Customs, even on the grounds of a minor error, the importer is presumed guilty and can be required to pay countervailing duties that might be applicable to the imported product.

Problems related to goods that are processed outside the EU.

The legislation creates problems particularly for such European companies that process their products in large series in one or more third countries or buy products of a third country to be resold to Mexico. The introduction of a bilateral certificate of origin under the FTA context will therefore not remove this problem. The EU textile industry imports these goods into the EU, from where they are dispatched worldwide. Therefore, the amount of goods exported to Mexico is determined only after the goods have left the country of origin (e.g. Thailand or Vietnam).

Under the requirements of Anexo III, this trade scheme is in practice not possible. To be able to export to Mexico, the manufacturers should know in advance which products and quantities they are going to export to Mexico in order to obtain beforehand a separate certificate Anexo III (in Spanish) from the authorities of the country of origin.

Even if the European company could obtain the certificate of origin, its own invoice to the Mexican buyer would not correspond to the invoice of the manufacturer indicated in the certificate issued in, say, Vietnam. The date of the certificate of origin must allegedly match the date on which the transaction with the exporter is concluded.

● 010032-*Closure of customs offices for textiles* [2002-01-18]

On 25 July 2001 Mexico decided to include all textile-related merchandise classified in the Chapters 50-63 of the Harmonised Tariff System (HTS) in the list of authorised ports of entry for specific goods, known as Annex 21 of the Mexican Rules of Foreign Trade. The measure that limited the number of ports of entry for textile products to six customs offices was published on July 30th and came into force the next day.

As a result of strong protests from the trade community, other six customs offices were added to Annex 21 on August 9th. This annex was again amended on September 12th to include another five ports of entry for all textile-related merchandise, except cotton not carded or combed (HTS 52.01) which could be imported through any Mexican customs office.

Two months later, in November 2001, **Annex 21 was again modified as well as the rule 3.26.1 of the Resolución Miscelánea de Comercio Exterior**, which establishes that specific goods may be released only in the Customs offices listed in Annex 21.

Annex 21 was completely modified in November's revision. The list of ports of entry for specific products now consists of two parts, the section A for customs clearance of goods placed under an import procedure, and the section B for goods being exported. The section A comprises sixteen groups of import products and lists the ports of entry authorised for each group. Group A.XV refers to all textile products classified in the Chapters 50-63 of the Harmonised Tariff System (HTS).

The new group A.XV of Annex 21 lists the following ports of entry: Altamira, Cancun, Chihuahua (only at the international airport "General Roberto Fierro Villalobos", Ciudad Hidalgo, Ciudad Juarez, Ciudad Reynosa, Colombia, Manzanillo, Matamoros, Mazatlan (only at the international airport "General Rafael Buelna", Mexico, Nogales, Nuevo Laredo, Progreso, Tijuana, Toluca, Veracruz, and the International Airport of Mexico City. The rest of Mexican customs offices are closed for customs import formalities concerning the textile products of Annex 21.

The amended rule 3.26.1 exempts the in-bond for re-export industries (or maquiladoras) as well as the companies participating in the "Programa de Importacion Temporal para Producir Articulos de Exportacion (PITEX)" from Annex 21 requirements. Both the maquiladoras and PITEX industries may carry out the import customs clearance of intermediate goods and other inputs, including textile ones, at any port of entry.

- Ports of entry through which most EU textile goods access the Mexican market (Veracruz and Ciudad de Mexico) have been re-opened, but some local customs offices of Querétaro where EU goods were released remain closed.
- From 30 November 2001 textile goods may be imported only through 18 ports of entry. Maquiladoras and PITEX industries are exempted from this customs restriction.

Standards and Other Technical Requirements

● 970143- *Leather labelling requirements* [2001-10-11]

According to a technical regulation on leather labelling (NOM-020-SCFI-1997), the name of the importer as well as the origin country must be permanently marked on all leather goods. Trade marks (or the manufacturer's name) may be attached instead of the information on the importer, but they have to be marked on a permanent label. The legend "Made (or other similar) in Mexico", or the name of the country of origin, must be marked in a permanent label as well. This legend has to be in Spanish.

The Mexican regulation on leather labelling also requires that the information on components and materials be accurate. Labels, which may be removable, must provide information on the type of materials and indicate their generic or specific names. Generic names mean animal groups such as bovine or equine animals or goats, while the specific names refer to a class of an animal group, such as cow, calf, wild goat or chamois.

Leather goods, as regulated by the Mexican regulation, include hides and tanned skins; composition leather materials; footwear, handbags, travel goods, as well as articles made with those materials.

European exporters of leather goods are very concerned because they face long and costly information gathering process to comply with Mexican labelling requirements. They need to proof the information included on labels and ensure that these are completely correct and the terms used are literally appropriate. In practise, before producing a label, exporters have to send their customers a proforma invoice so that importers can verify the information provided, make potential corrections and send the proforma invoice back in compliance with the Mexican technical regulation.

In case that Mexican importers request detailed information on a particular component, the European exporters have to ask their suppliers for it. If an exporter does not manufacture or is outsourcing part of its production, third parties need to be consulted.

European exporters of leather goods also complain that permanent labelling or marking harms delicate products and said that it is not necessary to consumer protection.

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RESTRICTIVE EXPORT MEASURES

Mexico maintains export taxes for a few products including historical heritage goods and petroleum products for domestic market supply reasons. Also certain products, such as hides and leather of wild animals and petroleum products, are subject to export licensing.

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INVESTMENT RELATED BARRIERS

Over the last decade the Mexican foreign investment regime has been substantially liberalised by increasing foreign participation also in sectors traditionally considered as sensitive. However, certain important sectors remain restricted from EU investors.

The Mexican rules on foreign investment are the 1993 **Foreign Investment Law** as amended at 4 June 2001 and the Implementing Regulation of the Foreign Investment Law (Reglamento de la Ley de Inversion y Extranjera y del Registro Nacional de Inversiones Extranjeras).

The provisions on investment of the EU-Mexico FTA on trade in Services include progressive liberalisation of payments relating to investment (this aspect is however already liberalised on both sides) and promotion of investment between the parties. They also include an undertaking to create a favourable environment for investments and a review clause within three years where the parties commit to review their investment legal framework in view of further liberalisation.

Direct Foreign Investment Limitations

● 960156- *Restrictions on FDI* [2002-03-08]

Restrictions on foreign capital participation in Mexico have been eased through successive reforms. Sectors previously open only to NAFTA countries are now open to all foreign investors and foreign capital participation is allowed up to 100% in many industrial sectors.

Current restrictions vary from outright prohibitions to ceilings on equity participation. Total prohibitions include 6 sectors, which are reserved for Mexican nationals (such as land transportation of passengers, retail sale of gasoline, radio and television services) and 12 sectors reserved exclusively for the Mexican state (such as basic petrochemical industries, distribution of electricity and postal services).

For activities in which foreign ownership is allowed but limited, ceilings on equity participation vary between 10, 25 or 49 per cent. The most common 49 per cent limit affects basic telephone services, certain port services and most of the financial services. Also there are 12 sectors in which a 100 per cent foreign ownership is allowed with prior permission granted by the Investment Commission (Article 8 of the 1993 **Foreign Investment Law** as amended at 4 June 2001).

Despite an aggressive plan to promote foreign investment in Mexico, the new administration of President Vicente Fox has yet to make good on promises to continue opening the telecommunications sector as well as petrochemical and energy industries.

In addition to statutory restrictions to establish a commercial presence in Mexico, EU service suppliers complain about cumbersome administrative procedures and other difficulties that hinder them from doing business in Mexico.

Services - Energy

Direct Foreign Investment Limitations

● 020039-IPP Electricity Sales [2003-06-26]

Since **Mexico nationalised the electricity industry in 1960**, the sector has been reserved for State investment and consequently it was included in Article 5 of the 1993 **Foreign Investment Law**, relating to strategic activities. Also Article 27 of the **Mexican Constitution** was amended by adding that the State alone is responsible for electricity production and supply aimed to providing a public service.

However, private participation in Mexico's electric utility industry already began under the Carlos Salinas administration (1988-94), which launched the Independent Power Producers (IPP) scheme, allowing private companies to build generation facilities for their own use or for sale to the state power company Electric Federal Commission (CFE). According to Mexican law, private companies that bid for contracts to build independent power plants are required to commit themselves to sell electricity only to CFE.

In addition to IPP activities, cogeneration, self-supply, small production and importation of energy were no longer considered as public services by the amended **Public Service Law Regarding Electricity (LSPEE)** in 1992.

The electricity sector reform was later developed under the Zedillo administration (1994-2000) when the **Ley de la Comisión Reguladora de Energía (CRE Law)** was approved in October 1995. At the end of 2000, 162 permits for power generation had been granted by the CRE under the self-supply, cogeneration, IPP scheme and export modalities, together with import activities.

As regards private IPP power plants, by August 2001 the CRE had granted **fifteen IPP permits to foreign investors**, some of which are EU subsidiary companies. A consortium composed by AES Yucatán, the Japanese Nichimen Corporation and Grupo Hermes, was granted the first IPP permit to build and operate a gas-fired thermoelectric **power plant in Merida, Yucatan** in 1997.

In 1998 the CRE granted two IPP permits; one to Electricité de France International S.A. de C.V, a local affiliate of the French company EDF in Mexico, for the **Central Río Bravo, in Valle Hermoso, Tamaulipas** project; the other to Unión Fenosa Desarrollo y Acción Exterior from Spain to build a plant in Ejido de la Manga, in **Hermosillo, Sonora State**.

Four IPP permits were issued in 1999 to build power plants on the following sites: "**La Camisa**", **at Pesquería in Nuevo León state** (permit granted to Iberdrola Energía Monterrey, a branch of the Spanish company Iberdrola Energía); **Tuxpan, Veracruz** (permit granted to Electricidad Aguila de Tuxpan, a branch of Mitsubishi Corporation); **El Sauz, Guanajuato** (permit granted to Energía Azteca VIII, a local affiliate of InterGen Aztec Energy VIII B.V.); and **Saltillo, in the state of Coahuila**. The IPP permit to build the power plant of Saltillo was granted to the French company EDF International, S.A. as well as the one issued in August 2001 in favour of Central Lomas de Real, a local subsidiary in Mexico of EDF, for the construction of a power plant in **Valle Hermoso, Tamaulipas**.

In 2001 the Spanish group Unión Fenosa, through its Mexican branches Fuerza y Energía de

Tuxpan, S.A. de C.V. and Fuerza y Energía de Naco-Nogales, S.A. de C.V., was granted permits to build two power plants in **Tuxpan, Veracruz** and **Agua Prieta, Sonora**.

Among non-EU foreign investors, the Canadian Transalta Energy Corporation has been granted IPP permits to build and operate two gas-fired thermoelectric power plants in the states of **Campeche** and **Chihuahua**.

At present, however, Mexico's electricity industry remains a state monopoly. Two state-owned power companies, the above mentioned CFE and Luz y Fuerza del Centro (LFC) that covers Mexico D.F. and the states of México, Morelos, Hidalgo and Puebla, own most power plants in Mexico and keep electricity transmission and distribution in their hands. At the end of 2000, there were 172 plants in the national electricity network, only one of which was operated by a private firm under the IPP scheme; the rest of them were owned by the State (152 by CFE and 19 by LFC).

Mexico's **Department of Energy, Secretaria de Energía (SENER)**, has estimated an average annual growth rate of 6% in energy demand for the period 2000 to 2009. According to the Mexican **Sectoral Program of Energy 2001-2006**, investments of approximately US \$5.9 billion per year are needed to expand generation capacity and renovate the national grid for transmission and distribution of energy. It is expected that CFE will take bids for 16 power generation projects in 2002 and 2003.

Given that the state monopoly in buying and selling power is deemed the main problem in electricity generation, the Fox administration has launched a legislative initiative to open up the electricity sector with a view to creating a spot market whereby companies may freely purchase and sell electrical power. Yet the Fox's energy reform, which is already before the Congress, does not propose to privatise the state-owned institutions CFE and LFC.

Certain EU companies complain that Mexico's legislation is the main impediment to having access to the Mexican energy market. Their investments in the electricity sector would considerably increase in the near future, if the energy reform bill before the Congress succeeds in allowing IPP investors to sell their production in an open market.

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IPR

As a member of WTO and a signatory to international agreements containing provisions on intellectual property rights (IPR), Mexico has committed to provide an adequate and effective system of patent and trademark protection consistent with its international obligations.

Mexico is a **party** of the following international agreements containing IPR provisions:

- TRIPS Agreement (Trade-Related Aspects of Intellectual Property Rights) at WTO
- Convention establishing the **World Intellectual Property Organization (WIPO)**
- Paris Convention for the Protection of Industrial Property
- Lisbon Agreement for the Protection of Appellations of Origin and their International Registration
- Budapest Treaty on the International Recognition of the Deposit of Micro-organisms for the Purposes of Patent Procedure
- Patent Cooperation Treaty
- Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks
- Locarno Agreement Establishing an International Classification for Industrial Designs
- Strasbourg Agreement Concerning the International Patent Classification
- Vienna Agreement Establishing an International Classification of the Figurative Elements of Marks
- Nairobi Treaty on the Protection of the Olympic Symbol.
- WIPO Copyright Treaty
- WIPO Performances and Phonograms Treaty
- Convention for the Protection of Producers of Phonograms Against Unauthorized Duplication of Their Phonograms
- International Convention for the Protection of New Varieties of Plants
- Treaty on the International Registration of Audiovisual Works
- Berne Convention for the Protection of Literary and Artistic Works

- Geneva Convention for the Protection of Producers of Phonograms against Unauthorised Duplication of their Phonograms
- International Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organisations
- Brussels Convention relating to the Distribution of Programme-Carrying Signals Transmitted by Satellite
- Geneva Treaty on the International Registration of Audiovisual Works
- Convention Relating to the Distribution of Programme-Carrying Signals Transmitted by Satellite
- Universal Copyright Convention, 1971
- General Inter-American Convention for Trade Mark and Commercial Protection
- North American Free Trade Agreement (NAFTA) with Canada and the United States
- Free Trade Agreement (FTA) with the European Union.

Mexico is an active member of the Intellectual Property Rights Experts Group (IPEG) at the Asia-Pacific Economic Cooperation (APEC) forum, but has not signed IPR agreements such as the Patent Law Treaty (PLT), the Trademark Law Treaty, the WIPO Performances and Phonograms Treaty, the Madrid Agreement Concerning the International Registration of Marks, the Madrid Agreement for the Repression of False or Deceptive Indications of Source on Goods and the Hague Agreement Concerning the International Deposit of Industrial Designs.

Mexican regulations on IPR are based on the 1991 Law for the Promotion and Protection of Industrial Property that was completely overhauled and amended in 1994 under the name of **Law of Industrial Property (LPI)**. The LPI, harmonised in accordance with the TRIPS and the NAFTA provisions on IPR, covers Inventions (Patents), Utility Models and Industrial Designs, Trade Secrets, Marks, Advertising Slogans and Trade Names, Appellations of Origin and Layout Designs of Integrated Circuits. The LPI is administered by the **Mexican Institute of Industrial Property (IMPI)**.

Copyright and Related Rights are covered by the 1997 **Copyright Law (Ley Federal de Derecho de Autor, LFDA)**. A Federal Copyright Agency, the Instituto Nacional del Derecho de Autor (INDA), oversees its administrative enforcement.

However, although Mexico has adopted the necessary measures to grant an adequate legal protection of Intellectual Property rights, it seems that the enforcement of this legislation remains unsatisfactory.

Agriculture and Fisheries **Enforcement problems on IPR**

010031-Misleading label Parma Jamon Serrano Estilo Espanol [2001-10-11]

Nestle Mexico S.A., a local affiliate in Mexico of Swiss Nestle, produces and markets cured ham labelled as 'Parma - Jamon Serrano Estilo Español'.

Currently Nestle Mexico owns two registrations for the trademark 'Parma' for goods classified in the Nice international class 29 which comprises 'meat, fish, poultry and game; meat extracts; preserved, dried and cooked fruits and vegetables; jellies, jams, fruit sauces; eggs, milk and milk products; edible oils and fats'. Both registrations (reg. n° 352959 PARMA and reg. n° 352978 PARMA) will be in force until 12.01.2002 and 17.02.2003, respectively.

Nestle's label 'Parma - Jamon Serrano Estilo Español' for Mexican cured ham is undermining the reputation and image of the Ducal Crown mark that contains the European protected geographical indication PARMA, owned by the Italian Consorzio del Prosciutto di Parma. It is as well clearly deceptive as to the true origin of the product, since the name 'Jamon Serrano' refers to the traditional production processes of Spanish cured hams. Furthermore, the expression 'Estilo Español' also misleads the consumers as to the geographical origin of the ham.

Nestle's label for Mexican cured ham misuses the geographical denomination PARMA and the expressions JAMON SERRANO and SPANISH STYLE in order to free-ride unlawfully on characteristics specific to European products.

As a result, European exporters of cured ham from Italy and Spain are hindered in accessing to the Mexican market by Nestle's use of misleading labels.

