



2018 – 1 International Trade and Commerce



Mexican Retaliation to import duties imposed by the USA

On June 5th, 2018, it was published in the Mexican Official Gazette the Decree issued by the Mexican Ministry of Economy, whereby the Harmonized Tariff Schedule was modified to impose duties on the importation of various products from the steel and food industry.

This decree was issued in response to the actions taken by the United States of America's (USA) Government, through which steel and aluminum products from Mexican origin were subjected to the payment of import duties, as of June 1st, 2018.

Additionally, it was established a quota for the importation of fresh, refrigerated and frozen pork.

Below please find a brief explanation of the matters of said publications that we consider most relevant; however, we recommend these publications to be further reviewed, in order to identify additional issues that could be of interest and that are not mentioned in this newsletter.

Background

Through Presidential Proclamations 9704 and 9705 dated March 8, 2018, USA increased as of March 23rd, 2018, the import duties applicable to the importation of steel and aluminum products from all over the world, to 25% and 10%, respectively. This unilateral measure was justified with the argument of the endangerment of national security of the USA.

Resulting from the Proclamations 9739 and 9740 issued by the USA's President on April 30th, 2018, a temporary exception was established from the payment of the increased import duties on steel and aluminum products of Mexican, Canadian and European Union (EU) origin.

Derived from the Proclamation issued on May 31st, 2018, the USA's President revoked the temporary exception granted to Mexico, Canada and the EU, thus enforcing the payment of the previously mentioned duties on the importation of steel and aluminum products from those countries.

Response from the Mexican Government

In response to the latter, on June 5th, 2018, the Ministry of Economy published a Decree suspending the preferential tariff treatment of the North American Free Trade Agreement (NAFTA), and increasing the MFN duties applicable to various goods of USA origin.

- Food Industry

A number of products of the food industry are now subject to an import duty varying from 15% to 25%, including pork (shanks, shoulder as well as sausages and other processed pork meats), cheese and cheese preparations, apples, grapes, potatoes, red cranberries and "Tennessee" or Bourbon whiskey.

Related to this measure, the Ministry of Economy published an Agreement whereby a quota of 350,000 tons was established, thus allowing said amount of fresh, refrigerated and frozen pork to be imported without an import duty.

The above in order to stabilize the Mexican domestic market, avoiding a shortage in supply, as well as damaging consumers due to a rise in the prices of said products derived from an insufficient national supply.

- Steel and aluminum industry

A duty ranging from 15% to 25% was imposed on the importation of steel products including, among others, flat-rolled products, hot and cold rolled sheets, steel or iron wire rods alloyed or not, with the exception of steel tubes which will be subject to a 5% tariff.

Regarding steel products, the new tariffs will only apply to the importation of merchandise classified in the chapters of the Harmonized Tariff Schedule that include articles of melted iron or steel; however, not all the headings and subheadings of said

chapters were included. Due to the foregoing, we recommend the list of tariff adjustments be thoroughly reviewed.

Regarding aluminum products affected by the new import duties, the list includes, among others, aluminum, be it raw, in bars, rods, profiles, wire, plates, sheets, strips, tubes and other articles, as well as casting and forging products; excluding cables, deposits, barrels, boxes and similar containers, waste, scrap, powder and flakes; and all the constructions and their components (such as: bridges and their components, columns, pillars, towers, roofing framework, roofing, doors, windows and frames).

In accordance with the transitory articles of the Decree, most of the measures undertaken by the Mexican Government entered into force on the same day of its publication and will last until January 31st, 2019.

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Mexico City
June, 2018

This News Flash contains information of a general nature, and thus it does not address any particular case or facts. The information contained herein is accurate as of the date of issuance; however, we make no representation as to the fact that such information be accurate in the future. Accordingly, we recommend that specific advice addressing your particular circumstances be requested.

Support Information

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