

**PROGRESS REPORT BY MEXICO ON THE PHASING-OUT OF THE TRIM
NOTIFIED UNDER ARTICLE 5.1 OF THE TRIMS AGREEMENT**

Notification by Mexico

The following communication, dated 16 January 2004, is circulated at the request of the delegation of Mexico.

Pursuant to Decision G/C/W/334¹, adopted by the Council for Trade in Goods on 5 November 2001, Mexico hereby reports on the progress it has made in phasing out the TRIM notified under Article 5.1 of the TRIMs Agreement.

Under the phase-out plan for eliminating its remaining TRIM no later than 31 December 2003, in 2003 Mexico continued to implement the programme to dismantle national value added and trade balance measures in accordance with the terms laid down in the Automotive Decree, as detailed below.

National value added

The percentage of national value added that an enterprise in the motor vehicle final assembly industry is required to incorporate each year in the manufacture in Mexico of autoparts and motor vehicles (Article 7 and 7A of the Automotive Decree of 1995) was reduced to 29 per cent in 2003.

In order to apply this measure, when the final assembly registers are issued, enterprises are notified of their obligation to meet the relevant national value added requirement and are referred to the relevant articles of the Automotive Decree.

The reduction in the percentages of national value added has made it possible for enterprises in the final assembly industry to achieve a flexibility that enables them to import autoparts according to their production needs. This flexibility is reflected in the trade figures, since the period 1994-2002 saw a 56 per cent increase in imports of autoparts.

Trade balance

The factor used to (a) calculate the trade balance of an enterprise in the motor vehicle final assembly industry, and (b) to divide the trade balance surplus of an enterprise in the final assembly industry for the purposes of determining the total value of new motor vehicles that can imported each year (Articles 4, 5, 8A, 8B and 12 of the Automotive Decree of 1995) was reduced to .550 in 2003.

¹ MEXICO. Extension of the transition period for the elimination of Trade-Related Investment Measures notified under Article 5.1 of the Agreement on Trade-Related Investment Measures.

In order to apply this measure, when final assembly registers are issued, enterprises are notified that they must show a favourable position in the relevant trade balance and are referred to the relevant articles of the Automotive Decree.

The phasing down of the trade balance requirement has been accompanied by a greater opening up of the Mexican market. While in 1995, for every 77 cents worth of vehicles exported, 1 dollar worth of vehicles could be imported, the current figure is 55 cents for every 1 dollar worth of vehicles imported. This opening up of the Mexican market is reflected in the growing share of imported vehicles in market sales, with an increase from 12.5 per cent in 1994 to 56 per cent in 2002 and to 60 per cent for the period January-October 2003.

Abrogation of the Automotive Decree

The First Transitional Article of the Decree amending the Decree on the Development and Modernization of the Automotive Industry, published on 31 May 1995, establishes that the Automotive Decree shall be operative until 31 December 2003.

In this context, all provisions under the Automotive Decree, such as the Agreement on Rules of Application, cease to be operative as from 1 January 2004, together with administrative formalities carried out by automotive enterprises, as follows:

- Submission of preliminary and annual trade balance and national value added reports;
- inclusion or confirmation in the Register as National Autoparts Industry or National Supplier Enterprises;
- crediting of automotive foreign exchange;
- submission of reports verifying automotive foreign exchange;
- registration or confirmation of audit reports on automotive foreign exchange.

The elimination of these formalities was notified to the Federal Regulatory Improvement Commission (COFEMER), under the 2003-2005 Biennial Regulatory Improvement Programme.

Accordingly, Mexico has fulfilled the commitment to dismantle the national value added and trade balance measures, as well as the provisions under the Automotive Decree, within the agreed time-frame.

Elimination of prior import permit

As an additional measure, and in view of the exclusive right of motor vehicle final assembly enterprises to import new automobiles, the Agreement amending the Decree establishing the Classification and Codification of Import and Export Goods Subject to a Ministry of the Economy Permit was published on 30 June 2003 and does away with prior import permits for new automobiles regardless of the country of origin, as from 1 January 2004.
