

Issues and Requests Relating to Foreign Trade and Investment - Mexico

Category	No	Issue	Issue Details	Requests	References
2 Grant of a Preferential Tariff Rates based on Increased Home Production, and/or Local Procurements	(1)	No Tax Incentive for the Existing Enterprises	- GOM provides no tax incentive to the enterprises operating in Mexico (while such incentives are available to the new entrants.)	- It is requested that GOM promotes investment by the enterprises operating in Mexico both by the Federal and State Governments.	- Mexican Tax Laws, etc.
6 Reduction and Elimination of Preferential Policies for Foreign Capital	(1)	Complex procedures on Temporary Import Incentive Measures	<p>- The tracking of records, as required under Programme for Industry, Manufacturing, Maquila and Export Services (IMMEX), is so complex, and it requires employment of a staff exclusively dedicated for this purpose. It deprives FFEs of the privilege of benefiting from the tax saving under IMMEX.</p> <p>- The preferential measures, such as IMMEX, PROSEC, etc. are effective scheme to promote international trade, foreign investment and foreign entry into Mexico. However, due to the complexity in details, applicants must face the risk of exclusion from application, cancellation of permits and approvals, and even penalties.</p> <p>(Actions)</p> <p>- On 24 March 2011, GOM released regulation on temporary import of steel materials under the IMMEX Programme that allows temporary import of parts, raw materials and machinery and equipment, subject to re-export of the products so manufactured, including the procedures to obtain the licence issued by Mexican Ministry of Economy (MME).</p> <p>- On 24 December 2010, when the Temporary Stay Period (TSP) of steel materials was reduced from 18-months to 9-months, confusions arose due to the absence of the provisions that excludes enterprises from the reduction in the TSP.</p> <p>On 12 June 2012, MME expressly announced exclusion of the 18-Month-Stay-Period for the temporary import from the case, where imported parts are re-exported after processing in Mexico such as automobile parts in the Official Gazette, the 32nd Amendment of "MME Decree Providing the General Rules and Standards on Trade."</p> <p>- <u>On 23 September 2015, Ministry of Economy removed Qualification canceling the right to use IMMEX (The Mexican In-Bond (Maquila) Program) on more than 300-IMMEX enterprises that failed to supply the Annual Report beyond the Grace Period, (retroactive to 1 September 2015).</u></p>	<p>- It is requested that GOM achieves facilitation of the IMMEX tracking requirements.</p> <p>- It is requested that GOM provides opportunity to give proper explanation and assures transparency in legislative interpretation.</p>	

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			<p>- <u>On 16 January 2016, Mexican Ministry of Economy (MME) promulgated Decree Amending the Decree on "Maquiladora Manufacture/Service Promotion Programme for Export" (The Mexican In-Bond (Maquila) Program). Hopefully, new decree will enable classifying, and streamlining of administrative procedures on enterprises, and assure improved compatibility with other legislative requirements on the designated sensitive items that apply the uniform domestic sojourn period of temporary import materials will enable streamlining enterprises administrative procedures and enhance compatibility with other legislative provisions. However, addition to bond deposit scheme, and registration requirement, pending rectification of other inadequate implementing rules, etc. is a matter of concern to enterprises for the additional burdens that may result.</u></p>		
9 Restrictive Export/Import Trade, Duty, and Customs Clearance	(1)	Change in Import Tariff Rate	<p>- On 9 February 2010, GOM promulgated Decree that amends the Tariff Law and the PROSEC Decree. With the exception of certain products (5%), zero duty rates will apply from January 2012, provided, however, that duty on steel products repealed since 1 January 2010 is revived so that 3% or 5% or 7% of duty rate apply correspondingly to product items. On 1 January 2011, PROSEC Scheme (in which Preferential tariff duty rates apply, 3% for cars, 5% for electric appliances, 0% for electronic appliances, etc.), along with the change in the general tariff rates, items subject to change as of 10 February 2010 have been removed from the subject items under PROSEC. Instead of PROSEC, the Duty Exemption Scheme under Japan-Mexico EPA separately applies to certain steel items. On 1 January 2012, under Decree enforced on 9 February 2010, general tariff rate was reduced to 0%.</p> <p>On February 2012, CANACERO (Camara Nacional de la Industria del Hierro y el Acero = National Chamber of Iron and Steel Industries) and SNTIMMSA (Sindicato Nacional de Trabajadores de la Industria Metal-Mecanica, Siderometalurgica y Autopartes = National Workers' Syndicate of metal, mechanical, iron and steel and auto-parts industries) instituted "Amparo" Litigation (that seeks protection on the ground of unconstitutionality), demanding stay of Decree published in the Federal Official Gazette that roughly nullifies the MFN tariffs from 2012.</p> <p>On 29 June 2012, the Court handed down its Decision, holding stay of execution on the measures to Nullify the MFN tariffs. The court ordered MME to put the duty rates back to those as of 2011.</p> <p>On 1 August 2012, the MFN tariffs, reduced to zero on 9 February 2010, were raised to 3%. As to Japanese steel products, preferential 0% tariff rate applies under Japan-Mexico Economic Partnership Agreement, subject to attachment of Certificate of Origin, and if imported by registered enterprises under PROSEC in electronics, auto and capital goods industries.</p>		

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			<p>(Actions)</p> <ul style="list-style-type: none"> - Since 8 October 2015, Mexican Minister of Economy (MME) raised general tariff rates from 0% to 15% on 97-items of steel products, including slab, thick plate, cold-rolled steel, wire rod, etc. under tariff classification HS72, as a 180-days interim measure. On the other hand, MME attempted to alleviate the impact on the competitive edge of the industry by newly adding 10-items under HS 72 tariff classification to the goods subject to PROSEC (Programme of Sectoral Production Promotion) Decree, Article 1 and 2, "Diario Oficial (DOF) de la Importación y de Exportación y el Decreto por el que se establecen diversos programas de promoción sectorial". However, interim measures on tariff raise do not apply to the preferential duty under Japan-Mexico Economic Partnership Agreement so that Japanese steel products under HS72 classification can be exported duty free to Mexico. - MME, under Article 1 of Decree promulgated in DOF of 4 April 2016, extended by additional 180 days, its provisional measures to raise by 15%, generation tariff rates on the 97-items of steel products. 		
	(2)	<p>High Import Tariff Levy by Change in Tariff Classification</p>	<p>In mid-2013, after its review of customs import tariff classification standard on (finished) solar panel, Mexican customs changed the HS code from the previous "85.41 solar panel (duty free)" to "85.01 generator (15%)", the reason for the change given being merely: "including diode," without considering the member firm's assertion: "The bypass diode of the member firm's product is devoid of power generating function, different from the diode being the focus of the customs contention." In addition, it is irrational to levy duty on the solar panel "with the purpose of developing the domestic industry", despite its extremely limited scale of the domestic industry.</p>	<p>- It is requested that GOM restores tariff classification on solar panel back to the previous "85.41 solar panel (duty free).</p>	
	(3)	<p>Continuation of Anti-Dumping Measures for an Extended Period</p>	<ul style="list-style-type: none"> - On 10 November 2000: Antidumping duty of 99.9% was imposed on seamless line pipe from Japan. - In October 2006: At the 1st Sunset Review, Continued Levy of Antidumping Duty was decided. - In November 2010: At the 2nd Sunset Review, Continued Levy of Antidumping Duty was decided. <p>(Actions)</p> <ul style="list-style-type: none"> - On 1 July 2007, the tariff classification of the products subject to antidumping finding is replaced by HS2007. As of July 2007, 16 items of steel pipes are subject to GOM antidumping duty. - On 1 June 2008, GOM signed agreement with PRC to revoke ADD on 953 items (based on HS classification numbers) so that ADDs on 749 items are revoked within FY 2008 and the ADDs for the rest of 204 items reduced in staged so that it is revoked by December 2011. - On 6 November 2015, Ministry of Economy, Mexico started Anti-Dumping Sunset Review on pressure seamless steel piping from Japan. 	<p>- It is requested that GOM repeals the antidumping measures.</p>	

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		(4)	Complex Monitoring of Imports	<p>- In September 1998, MME monitors import prices of certain specific steel products with the intent of protecting the domestic industry through import check and price maintenance. MME issues Import License (I/L) based on the importer's report to MME of import prices and the result of the pre-shipment inspection of the documents and products by the designated inspection institution. Many importers are unwilling to absorb the inspection cost and to put up with the vexatiously complex procedures. While strong voices are heard for the repeal of this requirement, it seems that GOM continues its monitoring for the time being.</p> <p>- On 5 December 2013, Ministry of Economy (MME) notified in the Federal Gazette Decree amending "General Rules And Standards on External Trade Ordained by Ministry of Economy". It compels advance notification to MME for import of 113-items of steel products subject to notification requirement.</p> <p>The Notification requires attachment of MIL-Sheet (Steel Materials Inspection Certificate), which could delay customs clearance. Moreover, certain indefinite matters such as the procedures to give notification require further clarification.</p> <p>- GOM has introduced advance notification on certain steel parts. However, the absence of sufficient explanation, clear-cut format, etc. makes its practical implementation difficult.</p>	<p>- It is requested that MME repeals the monitoring system or streamlines the procedures.</p> <p>- It is requested that GOM clarifies the procedures.</p> <p>- It is requested that GOM:</p> <ul style="list-style-type: none"> -- appreciates the burden to the tax payors, exporters, importers, etc. when it executes new obligations to them, and -- exhausts checking all possibilities with the view to facilitate discharge of their responsibility. 	<p>- Agreement on General Rules And Standards on External Trade Ordained by Ministry of Economy</p> <p>- Agreement on General Rules And Standards on External Trade Ordained by Ministry of Economy notified on 5 December 2013 in Federal Gazette</p>
		(5)	Implementation of the Safeguard Investigation	<p>- On 2 July 2010, MME initiated investigation for Safeguard Measures on Welded Steel Pipes and Tubes for Piping (HS Code 7305.1901, 50.8 mm or less in thickness with 8 inches or more in diameter and 26.83 m or less in length with API 5L Approval.</p> <p>On 20 March 2012, Mexico's Ministry of Economy, notified in the Official Federal Gazette (Diario Oficial de la Federacion) not to invoke the Safeguard Measures as a result of its Investigation.</p>		

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			<p>(Actions)</p> <p>- On 13 April 2016, MME added 8-steel products under HS73 Harmonised Tariff Schedule of Mexico, which are subject to prior acquisition of 'compulsory import licence' through the single window of MME.</p> <p>[Reference:] Please refer to the following URL on requirement of this additional information on prior acquisition of import licence through SE (in Spanish): http://www.dof.gob.mx/nota_detalle.php?codigo=5432966&fecha=13/04/2016</p>		
	(6)	<u>Vexatiously Complex Customs Clearance Procedures on IMMEX IVA In bond Processing Programme</u>	<p>- On 1 January 2015 MME amended the tax rules whereby "IVA (VAT) has become taxable in principle on products manufactured under IMMEX," provided, however, that with the approval of taxation bureau during the year 2014, continued IVA import in bond has become possible. However, the customs requires more documents relative to customs clearance procedures than that of before, making the process vexatiously complex. In emergency imports, customs frequent enquiries delay customs clearance so that urgently required cargoes do not reach the recipient. Moreover, the required materials differ from one officer to another the customs clearance, necessitating new materials resulting in further delay.</p>	<p>- It is requested that GOM streamlines the customs clearance procedures.</p>	<p>- ME's General Rules and Standards on International Trade</p>
	(7)	Delayed and Nebulous Procedures for Customs Clearance at the US/Mexican Border	<p>- Government of Mexico (GOM) negotiation with the landlord has stranded over the plot for the 2nd Otay Mesa Port of Entry (OMPE), while the land area is apparently too small in light of future expansion. The development of infrastructure in the vicinity also lags behind.</p> <p>- It now takes a vast amount of time for the border passage at the <u>U.S./Mexican border. While the development plan exists for the 2nd Otay border, it wouldn't advance. The construction work has begun from No.905 to SR11 (1st Border Exit). However, the construction plan remains pending from there to the 2nd border. Especially, the construction plan on the Mexican side remains halted. The customs clearance at the 1st border becomes difficult when the cargo movement further increases.</u></p>	<p>- In light of competition with Asian countries opening of the 2nd OMPE are eagerly awaited for further speeding up of cargo transport between the U.S.-Mexican borders.</p> <p>- It is requested that GOU and GOM join their efforts to open as soon as possible the 2nd OMPE, beginning with the GOM's procurement of the land plot.</p> <p>- It is requested that GOM expedites <u>the road construction at the Otay 2nd border.</u></p>	

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				<p>(Actions)</p> <ul style="list-style-type: none"> - The new Integral Automated Customs System Millenium3 ("IACSM") due for introduction from 2001 has been prepared in stages. Under this system, which resembles the U.S. system, customs and customs brokers are directly connected online and customs clearance can be completed solely by computers. When this system is in full operation, customs clearance can be completed prior to the arrival of the vessel into the port, and the cargo can be unloaded from the vessel direct onto the truck. - The modernization program is being implemented, such as an automated customs clearance system. - Two kinds of new taxes have been imposed since the year 2002 with regard to the import customs clearance. One is called Pre-validacion del pedimento (Pre-document inspection charge) of MXN250 peso and the other is MXN135 peso for a sort of "computer tax", which is incurred by the broker for check up of documents against products. Although some are of the view that imposition of charges and fees other than duties is not in violation of the WTO Agreement, the fact remains that the Customs authority relies upon such revenue as a fund for construction of the IACSM. - GOU after formally authorizing construction of the 2nd Otay Mesa Port of Entry has set up the new plan for State Route 11 connecting to the existing State Route 905/125 Interchange at Otay Mesa Port of Entry. The construction will start in 2012. Its operation will begin in 2014 one after another commensurate with completion of each construction. The toll will be levied for crossing the National Border (in the amount of MXN\$9.97 for general vehicles and MXN 86.27 for trucks.) - Under NAFTA, the long distance Mexican drivers were to enjoy free entry into the U.S. open road and arterial expressways. However, due to the Congress opposition that reflected the strong pressure of International Brotherhood of Teamsters (IBT), Obama Administration had to postpone The US-Mexico Cross-Border Trucking up to 2007, during which period a pilot program that allowed a limited number of Mexican trucking firms to operate within designated areas on U.S. soil had been suspended. <p>On 11 March 2009, President Barack Obama signed legislation suspending a pilot program that allowed a limited number of Mexican trucking firms to operate within designated areas on U.S. soil. Following the suspension of the pilot program, the Mexican government retaliated against the United States on certain U.S. produced products.</p> <p><u>In 2013, President Enrique Peña Nieto disclosed the Accelerated Modernisation Plan 2013-2018 for the Mexican customs, including overhaul of infrastructure. Agreement was reached to implement 56-modernisation projects, amounting to in US\$604 million in total. Mexican state tax administration in charge of administering 33-projects has recently announced accelerated overhaul of infrastructure at each Mexican check station.</u></p> <p>(Improvement)</p> <ul style="list-style-type: none"> - By amendment of the Customs Act in 2003, a special treatment is granted to a business entity with qualification for "Proven Industry". As a result, there has been a drastic simplification in the customs clearance procedure, which has been much expedited. - GOU has newly established the two FAST lanes in Calexico and Mexicali for trucks registered with the FAST (Free and Secure Trade) Program, in addition to Tijuana, Juarez, Nuevo Laredo, Reynosa, and Matamoros, making the total of 7 FAST lanes at the U.S.-Mexican borders. - The office hours at customs have been extended to 12 hours from 08:00 to 20:00 hours at both customs in the U.S. and Mexico, which is a significant improvement. - In August 2005, President Vincente Fox announced a deregulation program that includes continuation of rationalizing the procedures for foreign trade/customs clearance and expanded use of electronic means. 		

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			<ul style="list-style-type: none"> - On 9 November 2005, MME announced Circular adding certain tariff lines that requires import/export licenses under Chapter 87 of HS code and deleting 106 tariff lines that require import license. - General Customs on 1 July 2008 released commencement of the test project for streamlining the Customs Inspection, modeling "the Customs-Trade Partnership Against Terrorism (C-TPAT) of the U.S." under the name of ACS (Automated Commercial System). It aims at introducing the full-scale project in the first quarter of 2009 by allowing a simple, expedited customs inspection on enterprises, whose distribution process is determined as safe by the Customs Authority. - Secretariat of Communication and Transport announced on 4 August 2008 that it would postpone until 31 August 2010 the deadline for the test project that has been implemented since September 2007 on mutual entry of trucks. The two-year extension aims at prompting more enterprises to participate in the project, while prompting investment into new trucks that satisfy the threshold standards for mutual entry. - On 31 March 2008, GOM promulgated Decree that lists the measures to streamline the customs procedure that includes promotion of computer usage for customs clearance procedure. - General Customs on 1 July 2008 released the start of the test project for a smoother operation of Customs Inspection, modeling after the "Customs-Trade Partnership Against Terrorism (C-TPAT)" of the U.S. - <u>On 15 October 2015, GOU and GOM signed memorandum of understanding in approval of the U.S.-Mexican advance cargo inspection programme with the view to facilitating the trade between the U.S. and Mexico by rationalising the cargo inspection procedures.</u> 		
	(8)	Arbitrariness / Delay in Import Customs Clearance Procedures	<ul style="list-style-type: none"> - Importers rely on DHL, FEDEX, etc. to rush import of goods urgently required. However, due to the frequent questions from Customs, customs clearance delays so that the required cargo would not reach the customer, in the timely manner. - Due to the varying documents demanded each time by import customs personnel in charge, the importer must prepare new documents. It delays the customs clearance. 	<ul style="list-style-type: none"> - It is requested that the Customs clearly identifies the requisite documents for Import Customs Clearance. 	
	(9)	<u>Violation of NAFTA Rules of Origin</u>	<ul style="list-style-type: none"> - <u>Due to manufactures of IKD (Incomplete Knock Down) whose satisfaction of NAFTA Rules of Origin are questionable, competitive edge has declined of the companies observing the NAFTA Rules of Origin.</u> 	<ul style="list-style-type: none"> - <u>While Mexican Secretaria de Finanzas del Distrito Federal and MME are looking into the state of affairs to correct the problems, it is requested that both expedite their inspection and rigorously execute their control.</u> 	
	(10)	<u>Irrational invoicing of irrational express delivery charge</u>	<ul style="list-style-type: none"> - <u>A member firm's subsidiary (MFS) was charged the sum of 116,000 yen for customs duty and transportation fee on account of the operating instructions for a machinery (weighing 13 kgs. Invoice price @16,000 yen) despatched by DHL.</u> 	<ul style="list-style-type: none"> - <u>It is requested that GOM corrects the customs duty at an appropriate level (0%-5%)</u> 	

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11 Restriction on Profits Remittance Abroad	(1)	Default in Payment for Consideration on Work under Contracted Project	- In amending, in part, the contract with Mexican State-Owned Petroleum Company (PEMEX) concerning business on increment of the gas production, it has take a few months to complete the PEMEX's internal approval procedures.	- It is requested that GOM ensures a thorough discharge of PEMEX's payment obligations.	
12 Exchange Controls	(1)	<u>Radical Exchange Fluctuations</u>	- <u>As it stands, member firm's subsidiary (MFS) benefits from exchange gain on a direct export transaction in yen. Nevertheless, negotiation for raise in price is difficult. In a transaction with its parent company, the prevailing Yen depreciation enables MFS to offer special prices to its customers. However, MFS runs on a thin margin, so that if the exchange rate swings toward appreciation of Yen, it will instantly show operational loss: such is the severity of the fluctuation band.</u>	- <u>It is requested that GOP takes step to hold the fluctuation band within a few percents in 6-months.</u>	
13 Finance	(1)	Restricted External Remittance	- (Beginning January 2014), Bank of Mexico, the Central Bank, newly requires reporting to the Central Bank on external remittance of MFS's payment of consideration for import.	- It is requested that the Central Bank repeals the reporting requirement.	
14 Taxation Systems	(1)	Frequent Amendment of Taxation System	- Amendment in taxation system in each year forces taxpayers into great expenses in time and cost (i.e., fees paid to external consultants in order to understand the new taxation system), (i.e., change in the rate of deductible expenses, such as meal coupon handed to employees as part of fringe benefits - to what extent (in percentage) such coupon is deemed deductible expenses.) - Expanded conceptual denial. The foregoing reduction in the deductible expenses inflates the tax burden upon the company's operation. - <u>Frequent legislative changes in temporary import. Promulgated legislations are ambiguous on enforcement deadline MFS has managed to cope with the problem by keeping vigilant on perpetual changes on tax legislation. However, it is requested that GOM provides clarity of the contents and the enforcement timing. (Eg., application of EC, nebulous benefits and obligations accompanying the shift to OEA (Operadores Económicos Autorizados), formerly known as NEEC (Nuevo Esquema de Empresas Certificadas), is Mexico's equivalent of C-TPAT (Customs-Trade Partnership Against Terrorism) in the U.S.</u>	- It is requested that GOM discontinues yearly amendment of its taxation system. - It is requested that GOM affords Foreign Funded Enterprises (FFE) opportunities to exchange dialogues with GOM and provides due and sufficient explanation to FFEs in order to secure transparency of its policy. - <u>It is requested that GOM ensures including the Enforcement Date in its promulgation of New Legislation.</u>	- Tax Act of Mexico - Resolucion Micselanea Fiscal 2010 Annex 3"Standard" (Official Gazette of 7 December 2010) - <u>Resolución Miscelánea Fiscal 2015 (Diario Oficial de la Federación 30 December)</u> http://www.sat.gob.mx/informacion_fiscal/normatividad/Paginas/resolucion_miscelanea_2015.aspx - Legal Basis Article 28 of Federal Fiscal Code - Promulgation of SAT

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			<p>- <u>Due to the frequent amendments/revisions of tax legislation, MFS incurs extra time and cost of retaining external tax experts. The electronic accounting system made compulsory by the amendment of last year that contains full of ambiguities requires much time and expenses, having to develop new software to make it compatible with the existing in-house own accounting system.</u></p> <p>- <u>Taxation scheme amendments take place almost every year, forcing tax payers into assumption of heavy cost for human resources, and for revising the system. Especially burdensome was provision of accounting information in electronic data format for the 2014 Accounting Information.</u></p> <p>(Actions)</p> <p>- <u>On 31 October 2013, federal congress of Mexico approved the Bill for amending 2014 tax scheme, which has been enforced since January 2014. Major amendments are:</u></p> <p>(1) <u>Repeal of IETU and IDE,</u></p> <p>(2) <u>10% Withholding tax on dividends paid by the domestic enterprise in Mexico to individuals (resident and non-resident), shareholders and foreign corporate shareholders,</u></p> <p>(3) <u>Continuation of the going 30% income tax (which was due for reduction in stages, 29%, 28% beginning 2014),</u></p> <p>(4) <u>Raise of personal income tax to 35%,</u></p> <p>(5) <u>Restricted inclusion into deductible expenses of the specified remuneration to employees such as bonus, overtime allowance, etc.,</u></p> <p>(6) <u>Unification at 16% of IVA tax rate,</u></p> <p>(7) <u>IVA tax levy in principle on temporary import on use of the IMMEX Programme, etc.,</u></p> <p>(8) <u>Repeal of 17% tax incentive upon Maquiladora enterprises by application of 30% corporate income tax, and</u></p> <p>(9) <u>Comparable uncontrolled price method is no longer possible based on the going Maquiladora transfer pricing study so that Maquiladora enterprises must choose between the safe-harbour (where taxable income is higher of 6.9% of the total assets or 6.5% of the total expenses) and advance pricing agreement (APA).</u></p>	<p>- <u>It is requested that GOM develops and implements its tax system renovation plan based on a much longer-term perspective.</u></p> <p>- <u>It is requested that GOM:</u></p> <p>-- <u>develops comprehensive tax levy system, for example, introduction of electronic TAX ID, and</u></p> <p>-- <u>refrains from effecting substantive large changes.</u></p>	
	(2)	Nebulous exemption measures on Value Added Tax	<p>- <u>Ambiguous terms and conditions for obtaining VAT exemption, while the consultation window is unknown, so that MFS incurs heavy consultancy fees from- having to rely on law firms.</u></p>	<p>- <u>It is requested that GOM:</u></p> <p>-- <u>prepares and distribute materials elucidating amended IMMEX in detail, and</u></p> <p>-- <u>sets up consulting windows.</u></p>	<p>- The Federal Official Gazette amending the Decree for the Promotion of the Manufacturing, Maquiladora and Exportation Services Industry ("IMMEX Decree") of 24 December 2010)</p> <p>- IMMEX Decree</p>

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	(3)	Vexatiously Complex Application Procedures for Approval on VAT In-Bond Exemption	<ul style="list-style-type: none"> - 2014 Amended Taxation System restricts the preferential measures on in-bond VAT enjoyed by IMMEX enterprises, etc, halving the attractiveness for continuing business or investing newly into Mexico. - The 2014 Mexican Tax Reform removed the IVA 16% exemption which has been granted by acquisition of IMMEX. While affected enterprises are given to understand that continued tax exemption may be granted by filing application to the taxation authority. However, there is no practical guideline that gives substantive details. - Tax Law Amendment for 2014 brought about changes in preferential measures under IMMEX. IVA (16%) becomes payable unless the taxpayer completes the procedures for establishing during 2014 the official lawful importer status. Due to the change in the capital environment, financing cost increases. - <u>Changes in IVA scheme are frequent. While filing application is no longer necessary to obtain approval on VAT in-bond exemption, additional requirements (record and maintenance of shipment/inventory/production) snowball and increase work time.</u> 	<ul style="list-style-type: none"> - It is requested that GOM considers enabling IMMEX enterprises correctly operating under the Bond Scheme to enjoy continually the bond scheme, without complex requirements or procedures. - It is requested that GOM gives practical explanation in detail by giving an ample prior notice to the taxation authority. - It is requested that GOM affords Foreign Funded Enterprises (FFE) opportunities to exchange dialogues with GOM and provides due and sufficient explanation to FFEs in order to secure transparency of its policy. - <u>It is requested that GOM simplifies the IVA refund procedures.</u> 	<ul style="list-style-type: none"> - VAT Act for 2014 - Miscellaneous Resolution Fiscal for 2014 notified by Ministry of Finance on 1 January 2014 in Federal Gazette - <u>IVA TAX LAW</u> - 2014 Mexican Tax Reform
	(4)	Delayed Administrative Procedures on Tax Refund, etc.	<ul style="list-style-type: none"> - The Taxation Authority's tax refund on IVA, etc. lags behind. Inability to predict when the refund actually takes place makes it difficult for MFS to manage cash flow in its operation. - MFS's cash flow plan had been interrupted by the delay in VAT refund paid during the construction period for the infrastructure projects far beyond the refund period stipulated in the Tax Law. The delay jeopardises the MFS's cash flow. 	<ul style="list-style-type: none"> - It is requested that the Taxation Authority: <ul style="list-style-type: none"> -- shortens the time required for tax refund, and -- considers public disclosure of the tax refund timing. - It is requested that GOM cuts down the tax refund period. 	
	(5)	Raise in Personal Income Tax Rates	<ul style="list-style-type: none"> - Because the taxation authority raised the cap from 30% to 35% on progressive personal income tax (PIX), PIX burden on individual expatriates had gone up. 	<ul style="list-style-type: none"> - It is requested that GOM considers: <ul style="list-style-type: none"> -- cut down of the tax refund time and -- disclosure of the expected refund date. 	<ul style="list-style-type: none"> - 2014 Mexican Tax Reform

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			- Increase in Income Tax. Income Tax rate had gone up for high-income earners. It will impact upon employment of medium-income earners hereafter.	- It is requested that GOM affords Foreign Funded Enterprises (FFE) opportunities to exchange dialogues with GOM and provides due and sufficient explanation to FFEs in order to secure transparency of its policy.	
	(6)	Repeal of Consolidated Tax Payment Schem	- The 2014 Taxation System Reform in effect terminated Consolidated Tax Payment Scheme, disabling the realisation of the efficient Tax Payment Structure.	- It is requested that GOM takes step to resurrect the Consolidated Tax Payment Scheme.	
	(7)	Repeal of Preferential Treatment under Maquiladora	- The 2014 Tax Reform had repealed the Reduced Corporate Income Tax Rate of 17.5% (CRIT Rate) so that new tax rate of 30% applies. The 2014 Tax Reform had repealed Transfer Price Taxation System from the calculation formula of Compulsory Profit Rate (CPR), increasing CPR as a result.	- It is requested that GOM: -- restores RIT Rate for promotion of export industry, and -- restores the calculation method by Transfer Price Taxation System.	- Mexican Tax Laws
	(8)	<u>Increased Burden upon Clerical/ Electronic System Work from Mexican Tariff Reform (MTR)</u>	- <u>In 2014 Gazette, the taxation authority released the MTR requiring submission of electronic accounting record. In addition to matching the individual account items on the financial statement to the specific chart of account items designated by the taxation authority, alignment of the internal electronic accounting system is necessary to prepare monthly electronic accounting record.</u>	- <u>It is requested that GOM considers streamlining its requirement, including acceptance of the existing financial statement normally prepared by individual reporting enterprises.</u>	- <u>The 2014 tax reforms transitory articles of the MTR.</u>
16	Employment	(1) Vexatiously Complex Procedures for Work Visa Acquisition / Renewal	- It was only in September 2012 that GOM authorised Resident Certificate for 4-years maximum. However, by the 2013 Amendment, the Annual Renewal had become necessary, requiring trip to Mexico City each time. The cost of filing renewal application kicks up the operational expenses, (including attorney's fees) of the Member Firm's Subsidiary (MFS) in Mexico. - <u>The time required for completing renewal of work visa filed in 2014 was cut down by large margin (to 5-days). However, at each legislative or administrative change, replacement of administration's staff takes place in vast numbers, making it difficult for applicants to timely prepare or take responsive actions on the work visa related issues. There have been tendencies of problems/confusions to arise periodically each time, on such occasions, over the work visa related issues.</u>	- It is requested that GOM: -- exercises self-control in annually amending laws and regulations. -- accepts renewal application also at the nearest location of the applicant. - <u>It is requested that the administration ensures to provide prior instruction and training of its staff in depth and breadth to annihilate any chance of inconvenience or difficulty to arise over work visa issues after each legislative or administrative change.</u>	- Ley General de Poblacion, articulo 60 y Reglamento de la Ley General de Poblacion, articulo 140 - <u>Immigration Law</u>

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			<p>(Actions)</p> <ul style="list-style-type: none"> - Simple Entry Visa (good for 180-days, at \$262-MXN) is required for entry into Mexico on business purposes, while entry into the U.S. with less than 75 miles is authorised under Simple Entry Visa. A formal visa is required for more than 75-miles. <p>(Improvement)</p> <ul style="list-style-type: none"> - On 28 September 2012, Implementing Regulation of Immigration Law was promulgated. Article 156 of the Regulation provides: "Stay Permit is issued with validity of plural years, maximum 4-years, excepting infants with 3-years of age on less." However, it seems that Stay Permit Card itself requires annual renewal. (JETRO business news of 26 October 2012) 		
	(2)	Delayed Visa Issuance for Expatriates due to Frequently Amendments of Immigration Act	Immigration Law changes frequently so that neither Mexican Consular Office in Tokyo nor GOM are able to provide prompt or sufficient service, delaying visa issuance, and in the end disrupting expatriates' work and the stay in Mexico of their accompanying family members.	Visa issuance is streamlined and promptly processed by and among the Alinza del Pacifico Member States (Mexico, Chile, Peru and Columbia). It is requested that GOM streamlines and expedites visa issuance to Japanese expatriates to Mexico and their accompanying family members, in as much as Japan because both countries had concluded Japan-Mexico EPA.	Ley de Migracion Reglamento de Migracion
	(3)	Overly Labour Protective Labour Legislation	<p>While the enforcement in December 2012 of new Labour Act had drastically revised the Act since 1970, it retains overly labour protective colour more than in past years. It includes a provision that compels employers to pay compensation for dismissals inclusive of those who caused material damage to employers. This goes beyond the comprehension based on a general common sense.</p> <p>(Actions)</p> <ul style="list-style-type: none"> - In principle, the Labor Act provides that any employment must be for an indefinite term, and does not permit any trial period of employment. Employers must pay three-month compensation at the time of discharge of employees on employers' own accord. Moreover, if the discharged employee is a nonunion member, employers can be excused from rehiring the employee by payment of compensation equal to 20 days per year of the service years of the employee so discharged. - On 28 September 2012, Chamber of Deputies (Camara de Diputados) passed the bill to amend the Federal Labour Act focused on relaxing the Labour Contract and Employment Obligations. The bill amends the Federal Labour Act promulgated in 1971 after the absence of 42-years, including among others provision of certain Probational Period for Trial/Training of New Workers, allowing Adoption after Test and Dismissal, and allowing Hourly Wages based on Hours Worked. - On 30 November 2012, Amended Labour Law was promulgated. 	For Mexico to become developed countries, it is essential for GOM to take steps to streamline and amend the labour legislation in line with the higher international standard level, including the Labour Contract Law.	Labour Act

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	(4)	<u>Difficulty in Punitive Discharge</u>	- <u>Even in the event of legal punitive discharge on employee's violation of rules of employment, not on account of employer's convenience, the employer must pay legal dismissal allowance/severance indemnity allowance to the employee.</u>	- <u>It is requested that GOM refrains from compelling employers from payment of severance allowance other than the discharge by employer's or employee's own accord.</u>	- <u>Labour Act, Mexico</u>
	(5)	Pre-Modernistic Employees Profit Sharing System (PTU)	<p>- Under the Mexican law, all workers (except executive officers) are entitled to be distributed 10% of the corporate profit evenly commensurate with the number of days worked and the wage scale, regardless of the individual performance results or ability. Employees are entitled to receive such payments in so far as they are on the payroll of the enterprise in concern.</p> <p>- <u>Under Labour Act, employer must pay 10% of pre-tax profit to all employees, as long as who belong to the company before the end of May.</u></p> <p>- <u>Under Labour Act, apart from the regular wages and bonuses, it amounts to considerations payable to employees, giving extremely negative impact upon enterprises operation as compared to personal expenses in other countries.</u></p> <p>- <u>Existence of PTU, which dictates distribution of profits, inclusive of gains even foreign exchange, is in total absence of rationality to the extreme.</u></p>	<p>It is requested that GOM :</p> <p>-- repeals the scheme to share profits with employees, and if that is not possible,</p> <p>-- amend the scheme based on the principle of competition.</p> <p>- <u>It is requested that GOM repeals PTU.</u></p> <p>- <u>In international perspective, it is considered that this Scheme is better dispensed with.</u></p> <p>- <u>It is requested that GOM repeals PTU.</u></p>	<p>- PTU</p> <p>- <u>Labour Act</u></p> <p>- Labour Act, Article 15</p> <p>- Constitution Chapter IX (Substantive Details in Labour Act, Articles 117-131)</p>
	(6)	Irrational Labour Profit Sharing Scheme	- <u>Mexican Employees are entitled to receive 10% of an enterprise's profit after adjustment of the taxable income, as employees' pooling of profit under the Participacion de los Trabajadores en las Utilidades de la Empresa (PTU Scheme). The PTU Scheme fails to come to grip with neither the Economic nor Market Principle. Should this abnormal scheme grow irrationally into the future, foreign investors will have to reconsider before making investment into Mexico. From the perspective of foreign investors, it is preferable for Mexico to revert its labour policy back to normal where enterprises pay wages to their employees based on their performance and ability, reflective the prevailing market conditions and terminate the abnormal PTU Scheme.</u>	- <u>It is requested that GOM prohibits the abnormal profit sharing system.</u>	<p>- Federal Labour Act amendment (in Article 15), clarifying the definition of HRDA and providing certain restrictive measures.</p> <p>- Ley Federal del Trabajo; Articles 117 to 131</p> <p>- Ley del Impuesto sobre la Renta; Article 16)</p> <p>- Ley Federal del Trabajo (LFT, Federal Labour Law in English)</p>

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	(7)	PTU Review	<ul style="list-style-type: none"> - While PTU (under Profit Sharing Scheme) gets distributed to all employees evenly without reflecting the job performance or individual ability, it does not motivate individual workforce. - Where an expatriate is not on the BOD or remunerated in like manner, employers must apply PTU to that expatriate in contravention of the agreement between Member Firm and MFS. 	<ul style="list-style-type: none"> - PTU is a scheme rooted in socialistic doctrine, requiring amendment to certain extent based on the doctrine of competition. - It is requested that GOM takes step to provide exceptional provision applicable to expatriates from overseas. 	Federal Labour Act amendment (in Article 15), clarifying the definition of HRDA and providing certain restrictive measures.
	(8)	Compulsory Conversion of Despatched Workers to Regular Workers	- Amendment of Federal Labour Act in November 2012 raises labour cost as it requires conversion of despatched workers into workers. (no improvement on it, as usual)	- It is requested that GOM deregulates restrictions on HRDA.	- Federal Labour Act amendment (in Article 15), clarifying the definition of HRDA and providing certain restrictive measures.
17 Implementation of Intellectual Property Rights ("IPRs")	(1)	Inadequate Preparation of Database to get IPRs issued	- It is impossible to grasp precisely the patent risk of other firms, due to the <u>inefficiency in the overhaul of the Statistical Data and Information, such as the Number of Patent Applications filed and the Application Database in the Developing Countries, where the needs are rising for Patent Applications.</u>	- It is requested that GOM: <ul style="list-style-type: none"> -- <u>advances collaboration with Patent Offices of Developed Countries and</u> -- <u>overhauls as soon as possible the Database for Intellectual Property Rights.</u> 	
	(2)	Delays / Qualitative Differences in Patent Examination, etc.	- While legislative overhauls have made a fair progress in each country, the <u>Economic Growth and the Snowballing Patent Applications have outpaced the Legislative Overhauls in each Country. Qualitative differences in the level of Examiners, examination delays, etc. have been the cause of Scattering Results amounting to the pending task that demands improvement. It affects applicant's quest for a stable protection of IPRs.</u>	- It is requested that INPI advances <u>collaboration with other countries under Patent Prosecution Highway (PPH), ASEAN Patent Examination Co-operation (ASPEC), etc., promotes their utilisation in order to resolve the backlog of examination, and gives training to examiners.</u>	
	(3)	Insufficient Compensation Scheme for Private Copying	- With the purpose of private use, "music CD legitimately purchased and recorded into PC" is "further copied into portable audio equipment"; "broadcast audio/video programme is recorded for 'time-shift-listening/viewing'", and "further copied into smartphone for 'listening/viewing' away from home", "copying into tablet PC, electronically digitalized book after purchase"... usages such as these actually take place.	- It is requested that GOM takes step to restrict the copyright in the practical manner reflecting the reality.	

Category	No	Issue	Issue Details	Requests	References
			<p>In light of the fact that usage such as these cannot be considered to give damage to right holder, the legislative restriction on copyright, applicable to usages such as the foregoing, is in order.</p> <p>Further, in Japan, the Copyright Act, Article 30 (Reproduction for private use) relatively broadly restricts the rights on reproduction of copyrighted work for the purposes of private use.</p> <p>- Private copying compensation scheme in Japan has been de facto frozen today, due to its obsolescence and absence of rationality in collection and distribution in this era, when digitalisation and networking have far advanced. In Japan, private sound recording has already been de facto frozen, while judiciary decision (supreme court on intellectual property) on private video recording ruled "not subject to compensation," in light of incorporation of the copyright protection technology into the digital broadcasting. The supreme court affirmed this dismissal decision in November 2012.</p>	<p>It is requested that countries still retain CSPC to make it compatible with today's rational standard level, when digitisation and networking has made a fair progress.</p> <p>- It is further requested that the countries without CSPC will refrain from introducing the scheme. If, however, its introduction is inevitable, it will pay careful review as shown above (by refraining from unilateral copying levy, stipulating into legislative provisions copy charges commensurate with the loss based on the actual use, by refraining from the unilateral levy on general purpose products, etc.)</p>	
<p>(Actions)</p> <p>- It has been reported that the bill to introduce this scheme into Mexico has been deliberated at the congress.</p>					
	(4)	<p>Inadequate Restrictions on Copying for the Reverse Engineering Purposes</p>	<p>- Research/analysis of computer programme is an act of extracting ideas. It should not be stretched to the extent of intermediate copy or adaptation. Further, in Japan, 'Cultural Deliberative Sub-Council on Copyright' of Agency for Cultural Affairs, has concluded in favour of 'restricting copyright', pending only legislative amendment.</p>	<p>It is requested that GOM takes step to introduce restriction upon copyright for copying made for the purpose of reverse engineering.</p>	
	(5)	<p>Inadequate Restrictions of Right concerning Temporary Storage and Provision of</p>	<p>- In the processes of telecommunication, 'viewing/listening/executing process of copyrighted materials, and providing service using telecommunication technology', 'copying' should be possible to the extent recognized as necessary to perform such use/service smoothly and efficiently. Further, in Japan, Copyright Act restricts copying in Article 47-8 (reproduction in conjunction with the exploitation of works on a</p>	<p>- It is requested that GOM takes step to introduce Restrictions of Copyright concerning Temporary Saving/Storage in the Use of Equipment and in the Communication Process, as well as</p>	

	Category	No	Issue	Issue Details	Requests	References
			Service, using Telecommunication Technology	computer), and Article 47-5 (transfer of copies made pursuant to restrictions on the right of reproduction). Furthermore, law reform bill 2014 on Article 49-9 (transfer of copies made pursuant to restrictions on the right of reproduction, i.e., data processing necessary to prepare for providing information using telecommunication technology) is about to provide more restrictions on copyright.	the restrictions in Copyright Use for the purpose of Provision of Service that employs the Information Communication Technology.	
		(6)	Inadequate Copyright Restrictions on Copying for Providing Search Service for the Internet Information	It is requested that IMPI (Instituto Mexicano de la Propiedad Industrial= Mexican Institute of Industrial Property) authorises copying to the extent necessary to provide search service for the internet information. Further, Japanese Copyright Act in Article 47-6 provides: "the person must not transmit a work via automatic public transmission ... After coming to know that making such a recording available for transmission in Japan would constitute a copyright infringement."	It is requested that GOM takes step to introduce Limitation of Copyright relative to implementing Search Service for Internet Information.	
19	Industrial Standards, Approval of Safety Standards	(1)	Unspecified Measurement Standard on the Label Marking Rules	<p>- Most of the products out of the 186 items selected are meaningless as goods subject to the energy saving control. Moreover, due to the absence of public disclosure concerning the test method, and the usage mode per day, the numerical valuation basis varies by manufacturer concerning the energy consumption marked on the label. It will drive consumers into confusion, as they are unable to compare numerical values when purchasing products. Another energy efficiency regulation NOM-032 for consumer technology products with standby power feature is due for enforcement. Regardless of the duplication, both regulations apply.</p> <p>- GOM has introduced, since September 2011, Regulation for Power Consumption Marking (RPCM) on as many as 186-items of product categories. However, to this date, GOM has not identified the measurement method for power consumption, so that the fussy situation continues without uniformity in the marked numerical values and their reliabilities.</p> <p><u>It has created confusions upon customers' product purchase, with a possibility of disruption in fair competition.</u></p>	<p>- It is requested that GOM:</p> <ul style="list-style-type: none"> -- reduces the products subject to this regulation. -- maintains compatibility of the text method and power consumption calculation method to those of EU/the U.S. -- exempts application of this regulation on the products to which NOM-032 applies. <p>- It is requested that GOM narrows the products categories subject to the RPCM marking requirements.</p> <p>- It is requested that GOM makes compatible with the existing International Specifications in its legislation concerning the Test Method, and Computation of Electricity Consumption. Procedures are complex for the Temporary Import Incentive Measures.</p>	<p>- Article 23 of "Ley para el Aprovechamiento Sustentable de la Energia" (Law on Exploitation of Sustainable Energy)</p> <p>- <u>Articles Nos. 25-28 of Regulations on Use of Sustainable Energy</u></p> <p>- <u>List of Machinery and Equipment on which Energy Consumption Information Marking is required by Ministry of Commerce on Manufacturers, Importers, Distributors</u></p>

Category	No	Issue	Issue Details	Requests	References
			- <u>This regulation has been enforced since 19 September 2014 with fulfillment of the marking requirement by 17 December 2014, while measurement of standby power is necessary by domestic test laboratories in Mexico. There has been no written statement from GOM explaining the relationship of this regulation with the other existing energy marking regulations.</u>	- <u>It is requested that GOM:</u> -- <u>authorises measurements and accreditation by external test laboratories outside Mexico, and</u> -- <u>clarifies its relation to the other existing energy marking regulations.</u>	- <u>Mexican Official Compulsory Standard NOM-032-ENER-2013: "Maximum electrical power limits for equipment and appliances requiring standby power. Test methods and labelling"</u>
	(2)	Vexatiously Complex Labeling Requirement	- Products sold in Mexico must be labeled with product information (Country of Origin, Importer Information, etc.). Products not packed in individual box must be labeled one by one by hand with added cost and time, by hiring part-time workers.		- NOM (Norma Oficial Mexicana)
	(3)	<u>Control on Higher Efficiency of Low Voltage Motors (LVMs)</u>	- <u>LVMs, including those assembled into machinery, are subject to higher efficiency control in each country, including the U.S., Canada, Brazil and Mexico. The accreditation standards, which vary by country, form de facto trade barriers due to the complexity of the application process that requires not only the efficiency requirements but the local accreditation as well.</u>	- <u>It is requested that GOU dispenses with the accreditation requirement on LVMs, assembled into machinery that satisfies the regulated efficiency level to remove the trade barriers.</u>	
	(4)	Nebulous Legal Examination Period (LEP) for Registration (Registro Sanitario) under the Pharmaceutical Affairs Law	- <u>The problems applicants face at The Federal Commission for the Protection against Sanitary Risk (COFEPRIS) in regard to the legal examination period include the following:</u> (1) <u>Timely response is not received within LEP ('Legal Examination Period' for Registro Sanitario varies by risk classification, the longest being 60-business days for Class III. Nevertheless, it takes currently 1-2 years for approval, in effect.) It deprives entering enterprises of the ability to establish sales projection, materially inconveniencing their business activity in the Mexican domestic market.</u> (2) <u>Absence of clear and firm reply from COFEPRIS to the issues pointed out and queried by the applicants.</u> (3) <u>Absence of clear and firm reply from COFEPRIS when the response can be made.</u> (4) <u>Disclosure of information is extremely limited in many respects.</u>	- <u>It is requested that GOM:</u> (1) <u>strictly adheres to the legal examination period,</u> (2) <u>gives clear-cut response to the enquires from applying enterprises,</u> (3) <u>gives information back to the applicant when the examination is completed, should GOM fail to complete examination within the LEP.</u> (4) <u>positively discloses information.</u>	- Articles 204,376, General Health Law (Ley General De Salud) - Article 82, Regulation of Health Supplies (Reglamento De Insumos Para La Salud).

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	(5)	Complex Pharmaceutical Affairs Registration Procedures	<p>- Product registration procedures (Registro Sanitario) are complicated in importing and exporting medical equipment.</p> <p>(Actions)</p> <p>- In January 2012, GOU promulgated Ministerial Decree on Accreditation, providing confidence in the Equivalence of Certification on the Sanitary Registration Scheme for the Pharmaceutical Equipment under Ministry of Health, Labour and Welfare.</p> <p>- In April 2012, COFEPRIS introduced Prior Technical Examination Scheme by a Third Party Test Laboratory, without COFEPRIS technical examination.</p>	<p>- It is requested that GOM repeals the renewal requirement on product registration procedures. Namely, no renewal is necessary once the Product is registered. Please refer to Japan's system.</p>	
23 Inefficient Administrative Procedures, Regimes and Practices	(1)	<u>Restricted Qualification (Compulsion of Spanish Speaking Attorney with the Mexican Bachelor of Law Degree)</u>	<p>- GOU restricts qualifications for attorneys (only Mexican Spanish bachelor) in the context of anti-dumping proceedings. The use of Spanish is compulsory.</p> <p>-- In August 2013, Notice of Mexican Ministry of Economy reached a member firm, concerning initiation of anti-dumping investigation on steel wire ropes manufactured in PRC with the following problems:</p> <p>-- The language used in the Notice was totally in Spanish, requiring translation into English. In the short deadline for response, precious time was lost in translation before starting the preparation.</p> <p>Furthermore, GOM specified use of Spanish speaking attorney with a Mexican Bachelor's degree in law. It was extremely burdensome to locate a suitable attorney in a short span of time, starting from the total scratch.</p>	<p>- While use of Spanish and attorney with a Mexican Bachelor's Degree of Law is mandatory under the applicable Mexican laws, it is requested that GOM gives consideration to the following requests:</p> <p>-- English is used in communication, or else, biligual in Spanish and English.</p> <p>-- Leaves selection of attorney (being protector of the respondent's interest) to the respondent's discretion (with a bachelor's degree in law of Mexico, or any other country including Japan), if that is not acceptable, provides ample time before the submission deadline.</p>	
25 Government Procurement	(1)	<u>Restricted Bid Format</u>	<p>- On government funded infrastructure project in the case of CFE (comisión federal de electricidad), OPF (Obras Públicas Financiadas) scheme applies whereby bidding is based on lump sum payment upon completion including the civil works, serving as deterrent for bid entry.</p>	<p>- It is requested that GOM relaxes the bidding terms flexibly by project.</p>	

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26 Others	(1)	Aggravated Public Security	<p><u>Robbery, kidnapping, murder, theft, these occur all the time, threatening the safety not only in business operation but also on day-to-day livelihood. The low reputation of policemen makes it unwise to look for their help in emergencies.</u></p> <p><u>Since July 2014, in the outskirts of Mexico city, container cargoes loading LCD TVs (on the way to the export port destined to Mid-South America) by rail have been frequently assaulted by container-burglars, 4-times by December 2014, each time the loss of a few hundred units have occurred. Repeated requests made to Ferromex railway have not the carrier's appropriate corrective measures to this date.</u></p> <p><u>Crimes are increasing in the whole Mexico. Major reasons are accounted for by the crime syndicates' division of the domestic market, each roping off individual territory, repeating disputes. This has grown to be a large factor preventing new investments by enterprises.</u></p> <p>(Actions)</p> <p>- The Fox administration has established Department of Public Safety to integrate efforts of both state and local governments and has announced its plan to set up Federal Investigation Agency as its new base for the Federal Judicial Police Force. In the 15 Intensive Safety Zones so designated, the police force has been reinforced. It has also implemented the national program to annihilate improper conduct.</p> <p>- In May 2007, at the Committee for the Improvement of the Business Environment under Japan-Mexico EPA, GOJ proposed improvement of security in Mexico to GOM.</p> <p>- The Calderon Administration launched in 2006 the measure to cope with the security issue, starting with the control of drug trafficking organizations (DTOs) in the metropolitan area, where drug organizations are based. In these areas, DTOs have murdered officers related to the security control, in retaliation against the tightened control. The gangland bloodletting endangers the livelihood of citizens. In the northern urban areas, the victimized Japanese in these conflicts have been confirmed.</p> <p>(Improvement)</p> <p>- The security measure at the International Airport of Mexico has been tightened.</p>	<p><u>It is requested that GOM:</u></p> <p><u>-- ensures public security, and</u></p> <p><u>-- gives top priority to regaining the police reliability.</u></p> <p><u>It is requested that Federal Government takes positive measures to crack down on the wide area criminal offence group to enhance safety in the railway transport.</u></p> <p><u>In certain areas, collusion between police force and crime syndicate is pointed out in certain areas. It is said integration into single state police is now under deliberation. Winning back of trust in the police force claims the top priority.</u></p>	
	(2)	Burglary of Cargoes	<p>- In the domestic transport in Mexico, theft or burglary of cargoes frequently occurs. It costs heavily for enterprises to guard against it.</p>	<p>- It is requested that the government (each local authority) takes positive measures for its prevention.</p>	
	(3)	Ambiguous Planning on the Port Construction Project	<p>- <u>While port construction is under way at Altamira, Tamaulipas State, the details of the construction projects remain in the dark, regarding the completion schedule, functional details, etc.</u></p>	<p>- <u>It is requested that GOM clarifies the details for the port construction project.</u></p>	

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	(4)	<u>Delays in Import/Export Cargo Formalities in the U.S. West Coast</u>	<p>- <u>While the area in concern is not Mexico per se, Maquiladora operation in this area relies upon Long Beach Port, California while the negotiation over the industrial disputes have bogged down, causing substantial delays in export/import cargo movements.</u></p> <p>(Actions)</p> <p>- <u>The U.S. West Coast harbor industrial bargaining stretched for a long period of 9-months from May 2015. Especially in November 2014, the number of the landed containers substantially dropped due to the workers walkout at both Los Angeles and Long Beach Ports, the largest ports in the U.S.</u></p> <p>- <u>According to Japan maritime center verification, in February 2014 at Los Angeles port, vessel's anchorage-time increased by 146-hours (about 6-days) at Los Angeles port, and 104-hours (about 4.5 days) at Long Beach port, compared to the same month of the preceding year, delay by a large margin in each case.</u></p> <p>- <u>On 21 February 2015, ILWU (International Longshore and Warehouse Union) and PMA (Pacific Maritime Association) signed Tentative Collective Agreement (TCA).</u></p> <p>- <u>With signing of TCA that ended the labour bargaining, the functionality at ports took off toward normalisation, increasing the number of import containers.</u></p>	<p>- <u>While the U.S. federal government is about to intervene in the negotiation, it is requested that GOJ will file its request to GOU for:</u></p> <p>-- <u>improving the negotiation toward early settlement of the industrial disputes, and</u></p> <p>-- <u>expanding the Mexican Ensenada Port facilities to complement the capacity shortage issues.</u></p>	