

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

The following communication, dated 20 December 2002, has been received from the Permanent Mission of Mexico.

Pursuant to Decision G/L/500¹ 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 TRIMs no later than 31 December 2003, in 2002 Mexico continued implementing the programme to dismantle national value added and trade balance measures in accordance with the terms laid down in the Auto Decree, as detailed below.

National value added

The percentage of national value added that an enterprise in the automotive assembly industry is required to incorporate each year in the manufacture, in Mexico, of autoparts and motor vehicles (Article 7 and 7A of the Auto Decree of 1995) was reduced to 30 per cent in 2002. In order to apply the measure, enterprises are notified prior to the issuing of the assembly industry registers of their obligation to meet the relevant national value added requirement and are referred to the corresponding Articles of the Auto Decree.

The reduction in the percentages of national value added has made it possible for enterprises in the vehicle 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 1994-2001 saw a 65 per cent increase in imports of autoparts.

Trade balance

The factor used to (a) calculate the trade balance of an enterprise in the automotive assembly industry, and (b) to divide the trade balance surplus of an enterprise in the assembly industry for the purposes of determining the total value of new motor vehicles that can be imported each year (Articles 4, 5, 8A, 8B and 12 of the Auto Decree of 1995) was reduced to .577 in 2002.

In order to apply the measure, enterprises are notified prior to the issuing of the assembly industry registers of their obligation to show a favourable position in the relevant trade balance and are referred to the corresponding Articles of the Auto Decree.

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.

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 57 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 52 per cent in 2001 and to 55 per cent for the period January-October 2002.

Report on preparations for eliminating the TRIMs

Mexico is currently preparing the necessary legislative amendments with a view to eliminating its TRIMs no later than 31 December 2003, as stipulated in its WTO commitments.
