



EEA - Express trade alert EU-Mexico FTA

November 2017

Background

The EU and Mexico signed a 'Global Agreement' in 1997. This agreement includes trade provisions that were developed in a Free Trade Agreement (FTA) that entered into force in October 2000 for the part related to trade in goods and in 2001 for the part related to trade in services.

Since the entry into force of the EU-Mexico FTA, the EU and its trade strategy changed considerably. Likewise for Mexico. Given these -and external- developments, the EU and Mexico agreed in June 2015 to modernise the EU-Mexico FTA.

Correos de Mexico is the UPU designated operator in Mexico. Previous to 2009 they were known as SEPOMEX. According to the Law of the Mexican Postal Service article 11, postal service is a strategic area reserved exclusively for the State and the State can seek to encourage the Postal Service through specific programs and benefits.

Recent developments

The negotiations to modernise the EU-Mexico FTA started in June 2016 and the sixth negotiation round started on 25 November 2017. Both partners have expressed their intention to conclude the negotiations by the end of 2017. Mexico is in parallel also engaged in talks to renegotiate NAFTA with the US and Canada; negotiations started in August 2017. General elections are scheduled in Mexico in July 2018.

Customs

- **De minimis level playing field;** The Mexican Post has a \$300 de minimis at import while express delivery companies only have a \$50 de minimis. The Mexican General regulation on Foreign Trade (Regulation 3.7.1.), stipulates that import operations of goods carried out by the postal service whose customs value is equal to or less than \$300 are not subject to taxation (IGI, DTA, and IVA)¹, provided that such goods are not subject to regulations or non-tariff restrictions or when the goods are for personal consumption and not for sale. According to Regulation 3.7.3, express delivery companies may clear goods without payment of taxes (IGI and IVA) where the consigned goods value does not exceed the equivalent in local or foreign currency to \$50. As below the de minimis threshold, no duty or tax is charged and clearance procedures are supposed to be minimal, private express delivery companies are at a clear competitive disadvantage. This is a growing concern for SMEs that rely on e-commerce.

Trade facilitation

- **Linking imported goods with HTS tax codes;** Mexico has drafted an e-commerce regulation, currently on hold due to the NAFTA negotiations, mandating express companies to link incoming merchandise with the relevant HTS tax codes. This would be an additional administrative burden for express companies. This draft regulation also includes other provisions, which would effectively eliminate many of the simplified procedures currently enjoyed by the express industry.

¹ IGI (Impuesto General Indirecto – general import tax); DTA (Derecho de Trámite Aduanal - Customs Processing Fee); IVA (Impuesto al Valor Agregado – VAT)



- **Customs checks;** There is no preclearance by customs (Servicio de Administración Tributaria, SAT) to identify potential violations of customs regulations. Additionally, due to high penalties, all parcels are opened to ensure accuracy of contents against the manifest and declaration. This slows down and complicates the operations of express delivery companies and affects their service to its Mexican customers (big and small businesses, and private costumers).

Level playing field

- **Weight limitations non-Mexican operators;** the Mexican law limits the weight of shipments handled by non-Mexican operators (weight limit of 31.5 kg). The law equally limits the weight of the vehicles used by non-Mexican operators (and a vehicle total weight limit of 10 metric tons).

Next steps

The European Express Association (EEA) urges the Commission to address these issues in the ongoing EU-Mexico FTA negotiations. A separate chapter on postal and courier services should be included. The chapter should i.a. include provisions to:

- ensure a level-playing field with the universal service provider by setting one common de minimis level at minimum \$300 for all goods entering Mexico;
- ensure national treatment for express delivery service providers;
- limit the physical inspections of goods at import and apply a data based risk assessment procedure in line with article 7 of the WTO Trade Facilitation Agreement for all goods entering Mexico regardless of the operator;
- guarantee license application processes which are transparent, non-discriminatory, and based on objective criteria; and
- ensure the independence of the regulatory body.

Contact

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