

CHANGES IN MEXICO'S TRADE POLICY: TEMPORARY INCREASE IN TARIFFS, AUTOMATIC NOTICES, AND OTHER MEASURES

On April 22, 2024, the President issued the "[Decree Modifying the Tariff of the Law of General Import and Export Taxes](#)" in the evening edition of Mexico's Official Gazette. This decree temporarily maintains or increases tariffs between 5% and 50% on 544 tariff lines related to products such as steel, aluminum, textiles and clothing, footwear, wood, plastics and their manufactures, chemicals, paper and cardboard, ceramic products, glass and their manufactures, electrical materials, transportation equipment, musical instruments, furniture, among others. This decree clearly targets products without an FTA, like China.

Justification for the Tariff Increase

According to the decree, the tariff increase is due to the national productive chains being affected by geopolitical and trade conflicts, as well as nearshoring. Therefore, the President considered that the tariff increases allow for a balanced market interaction to avoid economic distortions that could affect the relocation of productive sectors considered strategic for the country.

Interestingly, the Federal Government believes that a temporary increase in tariffs could attract new high-value-added companies and industries, which seems contrary to conventional economic wisdom. In any case, the effects of these measures will be worthy of empirical economic academic study.

Context of the Increase in Steel Tariffs

However, VTZ highlights that behind the tariff increase are the repeated complaints from the United States Government about the sudden increase in Mexican steel exports to the U.S. According to the U.S., this increase in Mexican exports "breached" the agreements reached in the context of the 232 section tariffs.

In August 2023, the President of Mexico temporarily increased tariffs on 392 tariff lines of a basket of products including steel, as we reported in our [alert](#). The Office of the United States Trade Representative (USTR) even praised this tariff increase on steel products, according to a [statement](#) from the Press Chief.

However, USTR criticized the lack of transparency regarding imports from third countries (namely, China) that were triangulated as Mexican steel in [February 2024](#) (see also [El Economista](#)). These and other complaints continued in recent months, for example, U.S. lawmakers called for tariffs on Mexican steel (see [El Economista](#)).

In view of this growing pressure and US tariffs on Mexican steel risks, the Ministry of Economy recently decided to change the rules regarding automatic notices, among other measures, as we explain below. And, in addition to this measure, the President decided to once again increase the applicable tariff for certain steel products, as some [media outlets](#) anticipated.

In an electoral context, will this Decree and its measures address the commercial complaints from the United States?

Why does the Decree include other products such as auto parts, textiles, clothing, etc.?

To the surprise of many, the Decree also increases – once again – tariffs on products that were subject to the tariff increase of the Decree of August 15, 2023, which was repealed by this new 2024 Decree. For example, tires went from 15% to 25% in August 2023, now they have a tariff of 35% under this new decree. Surprisingly, many products, such as tires, are subject to anti-dumping investigations, which implies not only the payment of a tariff but also the payment of antidumping duties, depending on each case.

According to the Federal Government, this new increase aims to prevent a “disruption” of production chains in sensitive sectors such as electrical, electronic, automotive, and auto parts.

PROSEC

Likewise, the Decree establishes that, during its validity, the following tariff lines corresponding to final products considered in article 5 of the PROSEC Decree will be included:

PROSEC SECTOR	MX Tariff Lines
Electrical Industry	7208.39.01, 7208.51.04, and 7211.29.99
Electronic Industry	7225.19.99, only for certain products.
Programs of the automotive and auto parts industries	7208.26.01, 7208.27.01, 7209.16.01, 7209.17.01, 7211.29.99, 7225.30.91, and 7225.40.91.

Validity of the Decree

The Decree entered into force on April 23, 2024, and will have a new validity of two years.

International Trade Implications and Legal Risks

By increasing the most-favored-nation tariff since 2023, VTZ considers that customs authorities will have the incentive to collect more taxes through origin verifications procedures regarding imports that enjoyed tariff preferences under treaties such as USMCA, CPTPP, etc.

Also, VTZ highlights that non-compliance with obligations for the proper re-export of temporarily imported goods will be "costlier" for IMMEX companies due to these tariff increases. Consequently, customs authorities will also have a greater incentive to audit IMMEX companies.

If temporally imported raw materials (from third countries) are transformed into goods that are exported to the US with preferential tariffs, companies may also face more costs due to compliance with article 2.5 USMCA.

Therefore, we strongly recommend our clients to verify and, if necessary, analyze the adoption of mechanisms to reduce tariff impact such as Sector Promotion Programs, Eighth Rule, the application of tariff benefits derived from Free Trade Agreements signed by Mexico, as well as taking other measures to reduce risks in the face of the increase in such tariffs if they are part of their production chain.

Changes to automatic notices for the steel products imports

As we anticipated, the Ministry of Economy published the "Decision Amending the General Rules and criteria in international trade matters" on April 15, 2024. These changes entered into force the next day, and we highlight the following points:

- 72 tariff lines subject to the processing of automatic import notices for steel products are incorporated, with the purpose of aligning with Section 232 of the United States of America.
- New data must be indicated for the processing of automatic notices, of which the following stand out:
 - **Country of origin of the steel:** that is, the country where the steel was produced, melted, and poured, which must coincide with the country declared in the Mill Certificate.
 - **Country of origin of the good:** that is, the country where the manufacturer transformed the steel for the manufacture of the good to be imported, which must match with the country declared in the *Quality Certificate*.
 - The Origin Mill of the products must be indicated, which must be included within the catalog displayed by the Single Window for International Trade. In case the original mill is not contemplated in said catalog, the importer may request its registration.

- Importers may choose and register within the Importers Registry of Steel Products with the Ministry of Economy, through which they may be authorized one or more automatic import notices for steel products for one or more tariff lines valid for one year from the registration date.

Given this situation, we recommend establishing necessary measures for compliance and obtaining Automatic Notices, as well as measures to avoid disruptions to your production chain in the face of tariff increases.

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Should you need more information, do not hesitate to contact our members Emilio Arteaga (emilio@vtz.com.mx), Miguel Ángel Martínez (miguel@vtz.com.mx) or Julián Luna (julian@vtz.com.mx)