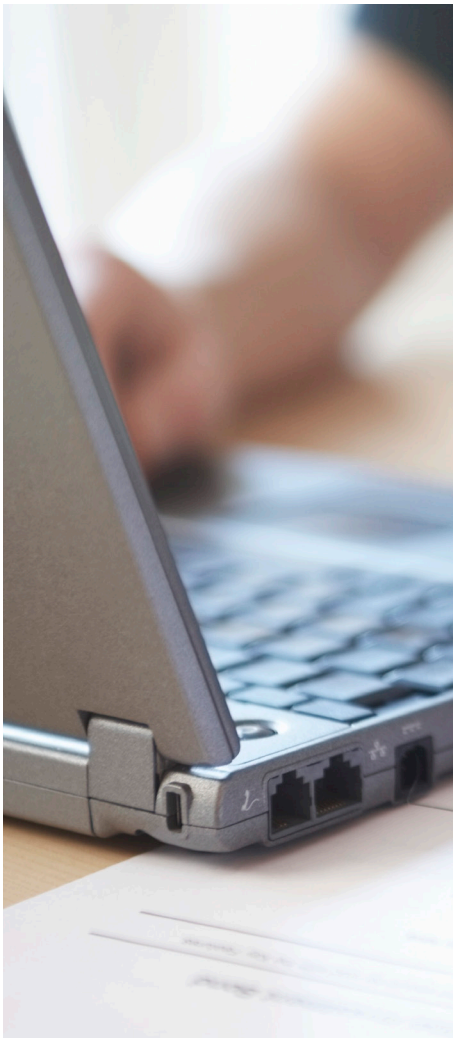


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EY TAX Flash

Mexico responds to US tariffs on steel & aluminum products



As it is well known, the US government has recently imposed a 25 percent ad valorem tariff on the imports of steel & aluminum products from most countries of the world, including Mexico, Canada and the European Union. This, in order to reduce an alleged threat to the national security of the US.

In response to such decision, the Mexican government has implemented a series of retaliation measures. The objective of such measures is to generate the same commercial effects that those created by the US tariffs abovementioned.

These retaliation measures include the suspension of preferential tariffs and the increase of tariffs to the imports of several products from the US. According to the Mexican government, these measures will be in force until the US eliminates the tariffs on steel & aluminum products.

Please find below our comments regarding some of the most important aspects of the Mexican retaliatory measures that have just entered into force.

Suspension of preferential tariffs and increase of tariffs

Mexico has suspended the preferential tariffs that were applicable to the imports of certain products from the US. Instead, the Mexican government imposed tariffs of up to 25 percent ad valorem on such imports. The affected products include those of the steel industry, as well as some pork meat, cheeses, apples, potatoes, Bourbon or Tennessee whiskey, motorized ships for pleasure or sports, cranberries and fans.

It is important to point out that the abovementioned tariffs only apply to definitive imports, including those under PROSEC Decree and those that only enter into the Mexican border zones. Consequently, these tariffs will not affect those products that enter on a temporary basis, as long as they return abroad.

We strongly suggest that the impact of these reforms is analyzed on a case-by-case basis, as there are several scenarios that could affect the foreign trade operations performed under certain deferral customs regimes.

Temporary tariffs to new steel products

In addition to the above, Mexico included 92 new tariff codes in the list of steel products that are affected by a temporary tariff of 15 percent ad valorem. These measure will be in force until January 31, 2019. Its objective is to regulate the imports from countries that would otherwise provide the US but are unable to place their products in that country derived from the protectionist measures that have been already discussed.

So now there are 186 products that are being affected by these temporary tariffs, including seamless tubes, tubes with seams, coated sheet, rod and profiles, which were added to products that had already been taxed such as sheet plate, roll plate, cold rolled sheet, hot rolled sheet and wire rod, among others.

Modifications to the PROSEC Decree to protect sensitive industrial sectors

The PROSEC Decree was also modified in order to exempt several tariff codes from import duties. The purpose of this tax exemption is to protect the productive chains and to maintain competitiveness in the most sensitive industrial sectors such as electricity, electronics, automotive and auto parts.

In this sense, the tariff codes that are now exempt under the PROSEC Decree are: 7208.39.01, 7208.51.01, 7211.29.02, 7225.19.99, 7208.26 .01, 7208.27.01, 7209.16.01, 7209.17.01, 7211.29.02, 7225.30.99 and 7225.40.01.

Tariff quota for pork meat from countries other than US

The Mexican government has also established a tariff quota for pork meat (fresh, refrigerated and frozen) in order to avoid destabilization in the market due to the recently imposed tariffs on pork meat from the US.

The tariff quota ascends to 350,000 tons until December 31, 2018. The products that are allowed to enter under a preferential tariff are classified in tariff codes 0203.12.01, 0203.19.99, 0203.22.01 and 0203.29.99.

WTO dispute complaint against US steel & aluminum duties

Finally, the Mexican Ministry of Economy announced that Mexico has requested WTO dispute consultations with the US regarding US duties on certain imported steel and aluminum products. This, after considering that the US protectionist measures are in violation of the WTO Safeguards Agreement, as well as of the GATT.

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