

TECHNICAL BARRIERS TO TRADE / SANITARY AND PHYTOSANITARY BARRIERS

Technical Barriers to Trade

Energy Efficiency Labeling and Standby Power Usage Regulations

On December 7, 2016, Mexico notified the WTO of its proposed measure from the National Energy Efficiency Commission (CONUEE) (NOM-029), which sets mandatory limits for energy efficiency of external power supplies for electrical and electronic equipment, including test methods and marking. U.S. industry's concerns included certain labeling requirements and unique testing requirements that are different from requirements in the United States or elsewhere.

In 2017, the United States discussed these concerns with Mexico bilaterally and at the three 2017 WTO Committee on Technical Barriers to Trade (TBT) meetings. On September 22, 2017, CONUEE published in the *Diario Oficial* (Mexico's official government gazette) a response to comments received on the draft, and on October 27, 2017, finalized the measure. CONUEE removed the requirements to add a 127 volt mark to the nameplate; to mark products as energy efficiency V, VI, or higher; and, to label external power supplies sold with the final product. CONUEE also allowed flexibilities on labeling for external power supplies sold to the public. The industry remains concerned about unique testing requirements, which may require local testing, and the number of product families that require testing. CONUEE agreed to review NOM-029's impact on industry six months after implementation, which is late April 2018. Throughout 2018, the United States will actively participate in the review of remaining issues as well as any activities related to the alignment of conformity assessment procedures.

Alcoholic Beverages

On April 6, 2016, Mexico notified to the WTO its Draft Official Mexican Standard PROY-NOM-199-SCFI-2015, "Alcoholic Beverages – Names, Physical-Chemical Specifications, Commercial Information, and Testing Methods" (NOM 199). In response, the United States and U.S. alcohol beverage industries submitted comments to Mexico in April 2016, raising concerns with certain aspects of the proposal. In addition, the United States raised concerns with Mexico bilaterally at the March and November 2017 meetings of the WTO TBT Committee.

A final version of this measure was published on October 30, 2017. The final version included some positive changes, such as a clarification of the standard of identity for bourbon and removing the restriction on alcohol by volume for Sambuca.

Nonetheless, U.S. industry continues to have significant concerns with the final regulation. Concerns from the spirits industry include ageing requirements, minimum and maximum limits for various components, alcohol content limits, as well as minimum spirit content requirements for certain labels. The wine industry also has expressed concern about Mexico's approach to measuring methanol.

In 2017, the United States had \$202 million in domestic exports of alcoholic beverages to Mexico. U.S. exports were dominated by beer at \$148 million, followed by spirits at \$32 million, and wine at \$17 million. The United States also exported \$6 million in "other alcoholic beverages."

The United States will continue to monitor implementation of NOM 199 and engage with Mexico on any other proposed measures related to conformity assessment procedures for alcohol beverages.

Plumbing Fixtures and Fittings

On June 13, 2016, Mexico notified the WTO of its proposed measure from the Ministry of the Environment and National Resources, PROY-NOM-012-CONAGUA-2015 (“NOM-012”) on Taps, Cocks, Valves and Other Appliances for Hydraulic Drinking-Water Installations. This proposed regulation governs testing and certification procedures for various plumbing fixtures and fittings. U.S. industry submitted comments to the Mexican government on August 5, 2016.

In 2017, the United States raised concerns about the draft bilaterally and at the November 2017 meeting of the WTO TBT Committee. The Mexican government addressed one of the U.S. industry's concerns by changing the transition period to implement the final regulation from six months to one year. However, industry representatives remain concerned about the unusually large number of samples required for product certification and certification renewals.

The final measure may be issued in 2018. The United States will continue to monitor the measure's finalization and implementation.

Sanitary and Phytosanitary Barriers

Fresh Potatoes

Mexico prohibits the shipment of U.S. fresh potatoes beyond a 26 kilometer zone along the U.S.-Mexico border. In 2003, the United States and Mexico signed the Table Stock Potato Access Agreement, which provided a process for allowing U.S. potatoes access to the whole of Mexico over a three-year period. However, Mexico has refused to move forward with implementation of the Agreement, citing pest detections in shipments. In 2011, the North American Plant Protection Organization (NAPPO) released a report that identified six pests, which should be considered quarantine pests by Mexico in “potato[es] for consumption.” The NAPPO report and recommendations were accepted by both the United States and Mexico. On May 19, 2014, Mexico published new import regulations for potatoes in the *Diario Oficial*. These new regulations would allow the importation of U.S. potatoes into any part of Mexico. The Mexican Potato Industry Association, CONPAPA, challenged the 2014 import regulations in Mexican courts.

On July 15, 2016, the Peña Nieto Administration issued decrees to reinstate U.S. fresh potato access to areas beyond the 26 kilometer border zone, superseding the 2014 regulations issued by Mexico's Secretariat of Agriculture, Livestock, Rural Development, Fisheries and Food (SAGARPA), which CONPAPA had blocked with 10 court injunctions. However, CONPAPA sought and obtained from Mexican courts three new injunctions against these decrees as well.

In September 2016, SAGARPA agreed to finalize a revised pest risk assessment (PRA), which was published in January 2017. On August 4, 2017, a Mexican court issued another ruling to prohibit imports of U.S. potatoes beyond the 26 kilometer border zone. The U.S. Department of Agriculture (USDA) and USTR, in consultation with the U.S. potato industry, continue to seek a solution that would lead to expanded market access for U.S. potatoes to all of Mexico. The remaining legal challenges are ongoing.

Raw Milk

Since May 2012, when Mexico determined that the Hoja de Requisitos Zoonosanitarios (HRZ) veterinary import requirements were not applicable to raw milk, U.S. dairy exporters have been unable to ship raw milk for pasteurization to Mexico. Raw milk for pasteurization represents a substantial export opportunity for several dairy producers who can supply this product to Mexican milk pasteurization plants when the plants are faced with insufficient domestic supplies of raw milk. In 2017, the United States continued to hold discussions with Mexico on Mexico's veterinary import requirements for raw milk intended for pasteurization.

Stone Fruit

Mexico has stated that, due to concerns about the oriental fruit moth, it would only accept peaches, nectarines, and plums from the Pacific Northwest if producers allow on-site inspection and used methyl bromide fumigation. Mexico indicates that this will continue until it completes its ongoing PRA, which could allow importation from this region without inspections or fumigation. Stone fruit from the Pacific Northwest poses a low risk of transmission of the oriental fruit moth. The United States continues to engage with Mexican authorities to reduce burdens associated with the exportation of stone fruit from the Pacific Northwest to Mexico.

IMPORT POLICIES

Tariffs and Market Access

Pursuant to the NAFTA, Mexico eliminated all remaining tariffs on industrial products and most agricultural products imported from the United States on January 1, 2003. On January 1, 2008, Mexico eliminated the remaining tariffs and tariff-rate quotas on U.S. agricultural exports.

Administrative Procedures and Customs Practices

U.S. exporters continue to express concerns about Mexican customs administrative procedures, including insufficient prior notification of procedural changes, inconsistent interpretation of regulatory requirements at different border posts, and uneven enforcement of Mexican standards and labeling rules. The U.S. Government continues to monitor the situation and urge the *Servicio de Administracion Tributaria* (SAT) to resolve audit cases in a timely and transparent manner.

On December 5, 2013, Mexico issued rules requiring importers to obtain a license before certain steel products may be shipped into Mexico; these rules were revised on August 11, 2014. Mexico's stated objectives of the import licensing system are to combat customs fraud, improve enforcement of trade remedy measures, and improve statistical monitoring of steel imports. Because of administrative delays and complicated procedures for the processing of applications by the Ministry of Economy, U.S. steel exporters and their Mexican customers have encountered disruptions in supply chains and additional shipment or demurrage costs, as shipments may not enter Mexico until licenses are issued. The U.S. Government is actively engaged with Mexico to address stakeholder concerns and to reduce or eliminate the burdens of this licensing system on U.S. steel exporters and their Mexican customers. The United States also has raised questions about the application of the Mexican licensing program in the WTO Committee on Import Licensing. The volume of U.S. exports of steel mill products to Mexico during 2017 was 3.8 million metric tons, a 16 percent decrease by volume over 2016. The value of U.S. exports to Mexico in 2017 was \$3.6 billion, a 12 percent decrease by value compared to 2016.

Mexico applies several new regulations governing the importation of footwear and apparel and textile goods, including the creation of reference prices and the establishment of an import licensing system. According to the Mexican government, the measures were designed to enhance the productivity and competitiveness of Mexican footwear and apparel producers and protect Mexico's domestic footwear and apparel industries from the importation of undervalued goods. U.S. exporters expressed a number of concerns with regard to the schemes, including a lack of transparency in how reference prices are determined and uneven enforcement by Mexico's customs and tax authorities. The U.S. Government continues to monitor these schemes and encourages SAT to clarify how requirements are applied.