

Mexico City, October 15<sup>th</sup>, 2015

## MEXICO AND U.S. WILL SIGN MEMORANDUM OF UNDERSTANDING TO LAUNCH THEIR CARGO PRE-INSPECTION PROGRAM

- *Transaction costs and wait times in bilateral trade will be reduced*
- *The program seeks to avoid double inspection of shipments*

Derived from their interest in expediting bilateral trade, Mexico's Secretary of Finance, Luis Videgaray, and the U.S. Secretary of Homeland Security, Jeh Johnson signed this Thursday October 15<sup>th</sup>, a memorandum of understanding to launch the Cargo Pre-inspection Program in both countries.

The program aims to minimize double inspections of shipments and conveyances. Both countries will start the program by implementing three pilots as follows:

1. The Laredo Texas International Airport, for air cargo from the automotive, electronic and aerospace industry sectors, bound to 8 Mexican airports;
2. The Mexican Customs facilities at Mesa de Otay (Tijuana), Baja California, for US-bound shipments of agricultural products; and
3. Computer manufacturing facilities, adjacent to the Mexican Customs facilities in San Jeronimo, Chihuahua (10 miles west of Cd. Juarez), for US-bound shipments of computers and other electronic products.

The pilot at the Laredo, Texas airport began operations today, immediately after the signing of the memorandum. Both Secretaries thanked the city of Laredo, Texas, and the authorities of the airport for their support to this program and have made available to the customs authorities of both countries the modern facilities which customs clearance is done together. Soon, the Secretaries will visit these facilities and witness the release of shipments of participating companies.

This initiative will test innovative processes for inspection and clearance of shipments in the territory of the exporting country, so that when they arrive to the importing country its customs authorities would only inspect such shipments in exceptional cases. Mexican and US customs officials will work together at the same facilities, sharing information and selecting shipments for inspection. This initiative is known as Cargo Pre-inspection.

The Cargo Pre-inspection initiative is one of many relevant initiatives included in the Declaration of Principles and Bilateral Strategic Plan that Secretary Videgaray and Secretary Johnson signed in March 2014, and both countries have the appropriate legal framework to implement it.

Through Cargo Pre-inspections the customs authorities seek to facilitate trade and enhance the security of the customs processes. It is expected that these customs programs will derive benefits such as:

- Reduction of transaction costs
- Reduction of customs clearance times and border crossing wait times
- Reduction of traffic congestions at the border
- Optimization of investment in infrastructure and equipment
- Deterrence of trade fraud and smuggling

Participation in these pilots will be voluntary. Eligible companies may submit an application to Mexico's Tax Administration Service (SAT) and U.S. Custom Border Protection (CBP), as applicable, where they will confirm that they understand the procedures and will state their permission for both customs authorities to process their shipments at the designated facilities.

Each pilot will run for six months. At the end of the pilot phase SAT and CBP will evaluate results for each pilot and determine whether it is extended, expanded to include other industry sectors or becomes permanent. The inaugurations of the remaining two pilots (Laredo and Mesa de Otay) will be announced soon by SAT and CBP.

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