
❖SPC&B Update❖

A Newsletter for Clients of Sharretts, Paley, Carter & Blauvelt, P.C.

April 10, 2012

I. Mexico to Utilize Price Alert System on Footwear Imports

II. Mexico Conducts Intensive NAFTA Audits on Textiles From the U.S.



I. Since December 2011, when the transitional duties imposed by the Mexican government on Chinese footwear expired (along with apparel and certain other products), the Mexican footwear industry has been demanding protection against allegedly unfairly priced goods being imported into the country. Mexico's Ministry of Economy recently announced that it has reached an agreement with China to establish certain conditions for the importation of footwear from China into Mexico. Apparently as a result of this agreement, the Mexican footwear industry also has agreed not to file a safeguard action against Chinese footwear.

Under Mexico's price alert system, which was implemented in December 2011 and which presumably will be the mechanism for Mexico to monitor Chinese footwear imports, imports of sensitive products below established reference prices are flagged for further analysis and audits of the parties involved. The intent is to prevent imports from being undervalued, which would harm Mexican producers. Further details should be forthcoming in a notice to be published in the *Diario Oficial*.

II. In the meantime, Mexico's Customs authority has been conducting comprehensive NAFTA audits of imports into Mexico from U.S. textile and apparel producers, as part of an ongoing broader effort to weed out fraudulent country of origin claims. American companies have been subjected to requests for origin verification for all shipments made during a two-year period, with a 30-day response time. Failure to comply with Mexican Customs' request can result in the assessment of severe penalties. For some companies, this means having to document thousands of shipments and verify 400 to 500 certificates of origin, in a very short space of time.. The USTR cited the audits as a trade barrier in its recent annual report to Congress.

Recognizing that the 100% audits were too burdensome, Mexico recently changed its auditing process to allow for a sampling approach, which will be helpful for any U.S. companies subjected to audits going forward, but which will provide little assistance to those already involved in the process. *These actions should serve as a reminder of the importance of maintaining documentary proof of origin in support of certificates of origin issued for NAFTA or any other trade program, both for imports and exports.*

Anyone wishing additional information regarding the above should contact Gail Cumins at gcumins@spcblaw.com, or Donna Shira at dshira@spcblaw.com, or call us at 212-425-0055.

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