THE ALLURE OF MEXICO

BUSINESS BETWEEN THE UNITED STATES AND MEXICO IS FLOURISHING.

Growth in trade with Mexico has been driven largely by the North American Free Trade Agreement. Since NAFTA implementation in 1994, American exports to Mexico have risen 223 percent and Mexican exports to America have increased 396 percent. Mexico now is the U.S.'s third largest trading partner, trailing only China and Canada (also a party to NAFTA).

## LIKEWISE, MEXICO'S LARGEST TRADING PARTNER IS THE UNITED STATES

Trade Growth

The Council on Foreign Relations reports trade between the two countries grew from $290 billion in 1993 to more than $1.1 trillion in 2016. Cross-border investment has also surged, with U.S. foreign direct investment stock in Mexico increasing from $15 billion to more than $100 billion.

NAFTA significantly enhanced Mexican farm exports to the United States, which have tripled since NAFTA's implementation. Hundreds of thousands of automotive manufacturing jobs have also been created in the country, and most studies have found that the pact had a positive impact on Mexican productivity and consumer prices.

Mexican policymakers saw NAFTA as an opportunity to solidify the Mexican economy. Besides liberalizing trade, Mexico reduced public debt, initiated a balanced budget rule, calmed inflation, and increased the country's foreign reserves.

So, while Mexico was hard hit by the 2008 U.S. recession due to its dependence on exports to the U.S. market, its economy bounced back relatively quickly. Mexico returned to growth in 2010, with its GDP expanding over 5 percent, and subsequently falling to around 2 percent in 2014 and 2015.
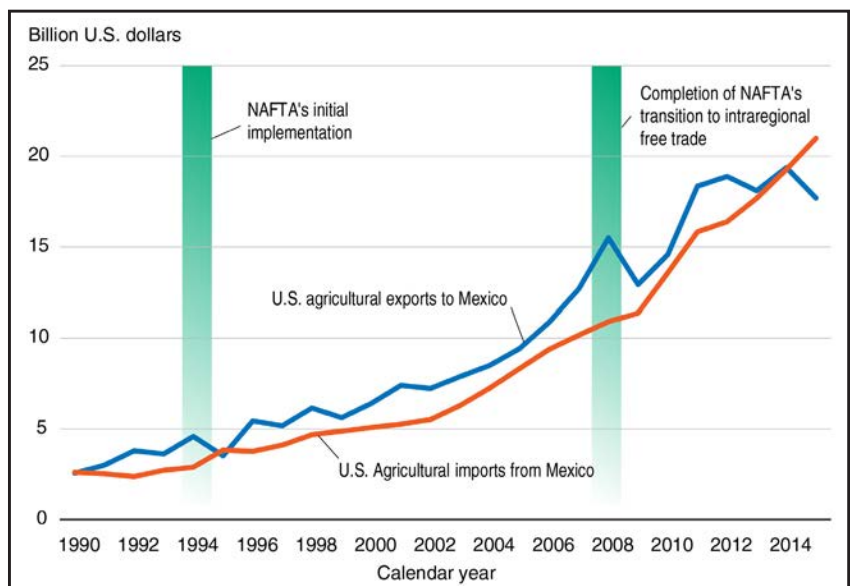
Source: U.S. Department of Commerce, Census Bureau.

THERE IS LITTLE WONDER THAT MEXICO IS AN ENTICING MARKET.

However, it is important to understand the five rules governing the Mexican customs system:

1. Definitive Regime
2. Temporary Regime
3. Fiscal Warehousing
4. Transit of Goods
5. Manufacturing, Transformation or Repairing at an In-Bond Facility

Definitive Regime

This regime is for the import of American goods or export of Mexican goods. Definitive Importation means the imported goods are intended to stay in Mexico. Definitive Exportation means the exported goods are intended to stay in America or elsewhere outside of Mexico. In each case, the goods are subject to tariffs and duties.

Temporary Regime

Here, the imported or exported goods are temporarily relocated into or out of Mexico. Temporary Importation requires that the goods are brought to Mexico for a specific purpose and returned abroad in the same condition they were imported.

Likewise, Temporary Exportation requires goods exported for specific purpose stay abroad for a limited period and are returned to Mexico without any modification. While neither tariffs nor duties apply in either case, the goods can be subject to non-tariff obligations and dispatch formalities.

Fiscal Warehousing Regime

The rules governing GWs are like those for Foreign Trade Zones. The regime allows for storing goods in an authorized General Warehouse (GW), free of tariffs and duties.

Transit of Goods Regime

This regime governs Internal Transit (IT) and International Transit (Int.T) for goods moving within or across the Mexican border, respectively.

Regime of Manufacturing, Transformation or Repairing at an In-Bond Facility

As the name implies, this regime allows the introduction of goods into an In-Bond Facility where the goods will be used in Manufacturing, Transformation or Repairing Procedures. Typically, these sites are located near ports or interior custom areas. Regardless of the situation, there are factors to consider when arranging the transportation of goods to and from Mexico.

HERE IS HOW THE PROCESS WORKS FOR EXPORTING TO MEXICO:

1. A U.S. carrier will transport your freight to the border for delivery to a freight forwarder hired by the Mexican consignee.

2. The freight forwarder prepares the shipment for entry into Mexico for the Mexican customs broker handling your shipment.

3. The customs broker files customs entry on behalf of the Mexican consignee.

4. A drayage company moves your shipment into Mexico, through customs, and on to a Mexican carrier for final delivery.

5. The Mexican carrier transports your freight to the consignee.

HERE IS HOW THE PROCESS WORKS FOR IMPORTING FROM MEXICO:

1. A Mexican carrier transports your freight to a border city.

2. A Mexican customs broker files the Mexican customs export entry for the Mexican shipper.

3. A U.S. customs broker clears the shipment and files the U.S. customs entry for the U.S. consignee.

4. A drayage company moves your shipment over the border, through U.S. customs, and to a U.S. carrier's facility.

5. The U.S. carrier transports your freight to the consignee.

A key difference between the U.S. and Mexico is insurance liability for freight.

U.S. carriers provide door-to-door service with limited or no liability coverage for shipments once they cross into Mexico. Therefore, you need additional cargo insurance for the Mexican portion of the journey. Arrangements for insurance can be made through either your logistics service provider or customs broker.

USAT Logistics de Mexico Offers Growth Potential for USA Truck Inc.

Among those succumbing to the allure of Mexico is USA Truck Inc. USAT Logistics, a division of USA Truck, recently expanded its portfolio of logistics solutions with the establishment of USAT Logistica de Mexico, located in Celaya, Guanajuato, about 130 miles from Mexico City.

USAT Logistics de Mexico is led by an experienced team in Central Mexico that has been working together for many years and brings in-depth market knowledge and customer and carrier relationships. "This expansion is in line with our strategy to expand in new markets and services to provide our customers a diverse portfolio of services," said Jim Craig, USAT Logistics president and USA Truck executive vice president and chief commercial officer.

Leading the team in Mexico is Hugo Jimenez, a veteran of global freight logistics who serves as USAT Logistica de Mexico country manager. Jimenez and his team have 15 years of experience in the Mexican 3PL market. "The deep relationships, insights and credibility our team brings to this market means we expect to quickly make a significant impact," says Jimenez.

Most industry analysts and political observers are not expecting any substantial changes to NAFTA, given the importance of Mexico as both customer and supplier to U.S. companies. "We have considered potential revisions to NAFTA," said Craig. "However, the size of the Mexico market is huge, and we currently have very little market share. For us, there is tremendous growth potential with or without any changes to NAFTA."

CONCLUSION

The USAT Logistics de Mexico team serves customers in both the U.S. and Mexico, offering both trans-border and intra-Mexico freight management, truck brokerage and 3PL services. They also collaborate with USA Truck's truckload division, coordinating services and trailer management in the Mexico interior to enhance customer service and optimize trailer utilization and efficiency. USA Truck currently moves hundreds of loads via their asset fleet, into and out of Mexico each month.

If you have never shipped to or from Mexico before, the process can be confusing. With fluent Spanish-speaking team members, years of experience, and offices in both Mexico and the U.S., USA Truck is the perfect partner to assist you with your Mexico shipping activities.

Contact MexicoService@usa-truck.com to get started.
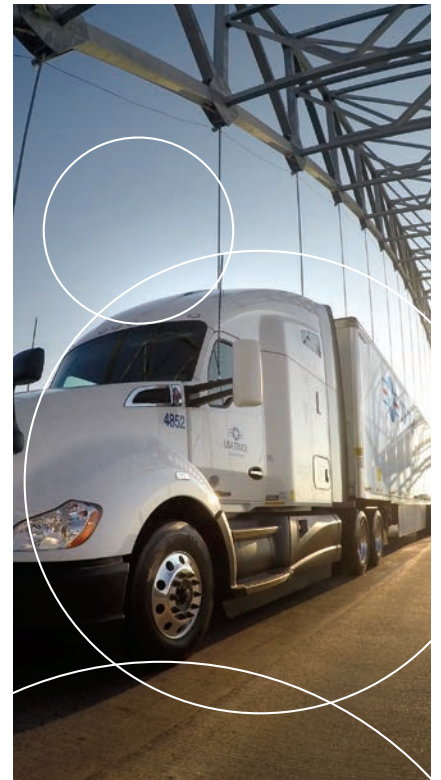
ABOUT USA TRUCK

USA Truck provides comprehensive capacity solutions to a broad and diverse customer base throughout North America. Our Trucking and USAT Logistics divisions blend an extensive portfolio of asset and asset-light services, offering a balanced approach to supply chain management including customized truckload, dedicated acontract carriage, intermodal and third-party logistics freight management services. Learn more about the Capacity Solutions from USA Truck by visiting usa-truck.com or usatlogistics.com.

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