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**The ‘Maquiladora Industry’ of Mexico: An approach for
the compilation of statistics on Goods for processing**

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Initial considerations

**This brief presentation refers the Maquiladora Industry under
the Mexican regulation available until November 2006**

**Since the end of 2006 the Secretariat of Economy of Mexico
promotes a new regulation named ‘Manufacturing Industry,
Maquiladora and Export Services Program’ (IMMEX by the
acronym in Spanish) which joint the Maquiladora Program
with another about the ‘Temporary Imports for Exports’ called
PITEX**

Initial considerations

Hence, the first and main part of the presentation is focused to the practice carried out until the end of 2006 for identification and measurement of the Maquiladora Industry through the inward processing procedure and by a monthly survey as well as how this practice was useful for the analysis of Goods for processing

The last part mentions the current difficulties that the Mexican statisticians are facing now since the launching of IMMEX Program in order to identify the Goods for processing and finally the coming challenges regarding the new recommendation about the change of ownership

What is the Maquiladora Industry?

The Maquiladora Industry involves (until November 2006) the enterprises with the authorization of the Secretariat of Economy to make temporary imports of goods for manufacturing, assembly or repair to get products for the subsequent exportation. These enterprises were exempt of the payments of duties and taxes if their finish products are sold abroad

The regulation of this Industry began in the middle of 1960's and its main goals are the promotion of the foreign direct investment, developing the manufacturing industry and the creation of employments. Then, from the beginning there is a strict control about the activities of this kind of enterprises and special interest of the Mexican Government for its measurement and follow up

Legal framework of the Maquiladora Industry

The control of this industry was defined by:

- **Customs Law**
- **Foreign Trade Law**
- **Operation Rules for foreign trade transactions, and**
- **Specific Decrees for the regulation of economic activities oriented to the exportation**

All the regulation is based in the Kyoto Convention with national arrangements

Location of the Maquiladora Industry

When an enterprise gets the Maquiladora Program (authorization of the Mexican Government) there is no restriction for its location

- **These enterprises are located across the country**
- **There are indeed more enterprises in the north of Mexico taking advantage on the vicinity of the United States**
- **They are not only situated in the free trade zones**

Main characteristics of the Inward Processing procedure on the Maquiladora Industry

Depending on the economic activity of the enterprise and the request made by it, the authorization of the Maquiladora Program defines the HS codes for the imports and exports

Any change in the registered and approved items must be notified to the Mexican authorities by the enterprise which modifies its imports and/or exports in order to get a new approval for the transactions under new HS codes

The transactions of the Maquiladoras (temporary imports of goods and exports of compensating products) are identified with the support of specific records in the customs declarations

Main characteristics of the Inward Processing procedure on the Maquiladora Industry

There is a link between the temporary imports and exports under the inward processing. The use of specific records for transactions of the maquiladoras used by the Mexican customs allow tracing the goods under this procedure which the maquiladora enterprise must declare the value of the goods temporary imported when they are exporting their manufactured, assembled or repaired products

The key point is that the goods produced by the Maquiladoras (including its components temporary imported) should go out of Mexico without any restriction of the destination

Main characteristics of the Inward Processing procedure on the Maquiladora Industry

If the Maquiladora enterprise sells a part of its production in the domestic market, so it should pay the duties and taxes and the transaction is registered in the customs declaration with a special record for this purpose (clearance for sale in the domestic market)

Considering the current rules of origin in most cases the transactions of the Maquiladoras entail a substantial transformation. Mexico is recognized as the origin of the Maquiladora Industry exports. The main source for the identification of the country of origin is the revision of the HS codes for imports and exports

Monthly survey of the Maquiladora Industry

This survey collects statistical information until 2006 in all enterprises with the Maquiladora Industry Program. It means that the survey is in reality a census

Approximately 3,000 enterprises are monthly surveyed by the National Statistic Office of Mexico (INEGI) through Internet. It's mandatory the filled out of statistic questionnaires as part of the operation rules for the Maquiladora Industry established by the Secretariat of Economy and agreed with INEGI

Monthly survey of the Maquiladora Industry

The main themes of the survey are: Employment and salaries, purchase and consumption of goods and services as well as value added of export

The value added of export collected in the survey includes the wages and salaries, domestic expenses and profits therefore the concept corresponds with the processing fee

The latest statistics of the Maquiladora Industry survey shows that the total amount of processing fee was 24 billion USD in 2006 and this industry employed 1.2 million of persons during the same year

Role of the Mexican Working Group on Foreign Trade Statistics

This Group is integrated by four institutions linked to the production and analysis of the international merchandise trade statistics of Mexico: General Customs Administration, Central Bank (Bank of Mexico), Secretariat of Economy and INEGI

INEGI heads the activities of the Group which analyzes the criteria for the production of the statistics and takes decisions for the treatment of the available information. In the case of Maquiladora Industry the Group agrees the way for an adequate use of the customs records and the available monthly survey

Application of international recommendations
related to the Goods for Processing

Considering the good control of the customs (including the free trade zones) and the work with the General Customs Administration in the Group on Foreign Trade Statistics, Mexico is using the general trade system for its international merchandise trade statistics

Since 1991 Mexico includes the goods traded by the Maquiladora Industry and these are valued on a gross basis. The exports includes the value of the goods temporary imported for manufacturing and/or assembly plus the processing fee

Application of international recommendations
related to the Goods for Processing

Taking advantage of the mentioned survey of INEGI the Group distinguishes the enterprises in the activities of repair and excludes the trade of goods for repair. As it is recommended this information is used by the National Accounts area of INEGI and the Central Bank for trade in services purposes

Change of ownership in the goods of the Maquiladora Industry

Regarding this issue the Mexican Working Group on Foreign Trade Statistics assumes that:

- **All the goods temporary imported by this Industry are owned abroad therefore the Maquiladoras are mainly focused to the Goods for Processing**
- **The only change of ownership recognized on the transactions of the Maquiladoras occurs when the enterprise pay duties and taxes for the imports. It can to be identified with the specific records of customs declarations**

Effects of the new IMMEX Program

As mentioned before the Maquiladora Program disappears on November 2006 and the Secretariat of Economy launches the new IMMEX Program with broader scope than the previous regulation

IMMEX is the Spanish acronym for the Program of 'Manufacturing Industry, Maquiladora and Export Services' which joint the Maquiladora Program with another about the 'Temporary Imports for Exports' called PITEX

The new Program was created by the Secretariat of Economy in order to promote the export activities with the same regulation in approximately 6,500 enterprises

Effects of the new IMMEX Program

With the launching of IMMEX the Mexican Working Group on Foreign Trade Statistics faces several problems regarding the continuity of statistical time series of merchandise trade and the Maquiladora Industry measured by the monthly survey

The Maquiladora Program with approximately 3,000 enterprises -at the end of 2006- was useful to estimate the participation of this sector in merchandise trade (with the assumption of Goods for Processing)

The Group on Foreign Trade Statistics decided to suspend the dissemination of merchandise trade flows of the Maquiladoras as well as results of the monthly survey which were based in the Maquiladora Program

Strategies to trace IMMEX

Considering the interest for the measurement of IMMEX Program and the requirements of national and international users, INEGI is now undertaking a monthly survey in the IMMEX enterprises with the same characteristics of previous survey on the Maquiladoras

The filled out of the questionnaires is mandatory (it's part of the obligations for enterprises with the new IMMEX Program)

Internet is the main way for the collection of data. INEGI expects that the new monthly survey in all enterprises with IMMEX Program will be a census too

The General Customs Administration established new specific records for the transactions of IMMEX enterprises and the Group on Foreign Trade Statistics is defining the new criteria for the treatment of these customs records

Coming challenges

The implementation of IMMEX obstructs the identification of Goods for Processing transactions. Now is not valid the practical solution adopted before by the Group on Foreign Trade Statistics related to considering the Maquiladoras trade as Goods for Processing

The Group should take advantage of measurement and the know how of the previous Maquiladora Industry Program through customs records and the survey with the aim to get further information about the new IMMEX Program

Coming challenges

Regarding the new recommendation for BOP, SNA and coming for the IMTS, How can identify the change of ownership in the international transactions of goods? A first proposal is the application of some new questions focused to this issue taking advantage of the on going IMMEX survey. Even though the change of ownership is not clear in the practice and consequently it's difficult to identify it

We're aware that IMMEX enterprises and the strategies for its measurement are a good start that helps for the identification of ownership in the international transactions of goods. Nevertheless the statistical authorities of Mexico are concerned for the effects and implications in the published statistic data –as many people around the world- and they are assessing now the feasibility and convenience for the application of this new recommendation

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