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Government Moves to Curb Illegal Imports of U.S. Automobiles

by LADB Staff

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In late October, President Ernesto Zedillo's administration announced a controversial plan to require drivers of automobiles entering Mexico with US license plates to leave extremely high deposits. The deposits are part of the administration's effort to curb the illegal import of cars from the US.

Under the plan, the Secretaria de Hacienda y Credito Publico (SHCP) will require all drivers of US-registered automobiles to leave a deposit at the border of between US\$400 and US\$800, depending on the year of manufacture. The deposit, which is refunded when the car returns to the US, applies only to vehicles driven beyond a 15-mile US-Mexico border zone.

The new regulation, effective Dec. 1, replaces an ordinance that required a deposit as low as US\$11 on US-registered cars. Some critics of the new fee are concerned that the policy may discourage visits from US tourists. Carla Felsted, co-editor of a newsletter that specializes in automobile vacations in Mexico, said the high deposit could cut in half the number of US tourists visiting Mexico by car. "If they charge US\$11 to your credit card, that's okay," Felsted said. "But US\$800 now that'll really get your attention."

For Mexicans, the greatest concern is the timing of the new regulation, which will go into effect just before the Christmas season when many Mexicans and Mexican-Americans travel to Mexico to visit relatives. "This [new policy] is a terrible mistake," a Mexican consular official told The New York Times.

Government hopes to curb illegal car imports

The SHCP insists the high deposit is necessary to discourage the illegal importation of US cars. In many cases, these cars, known as autos chocolate, are brought in by agricultural workers and other Mexicans who work or reside temporarily in the US. But the illegal imports, the SHCP says, threaten to undermine the Mexican automobile industry, which has faced a serious slump in domestic sales in recent years. "Our problem with illegal vehicles is serious," said SHCP spokesman Marco Provencio. "We understand the complaints about this program. But the law is the law, and we have the right to enforce it."

The SHCP's zealous enforcement of the anti-smuggling regulation, however, has raised tensions between the Zedillo administration and governors of some northern and central states, many of whom are members of the center-right Partido Accion Nacional (PAN). But the strongest resistance has come from Chihuahua Gov. Patricio Martinez of the governing Partido Revolucionario Institucional (PRI).

In April of this year, Martinez became embroiled in a bitter dispute with the SHCP when he began to register 2 million cars brought into the country without authorization (see SourceMex, 1999-04-21, 1999-05-26). The SHCP responded by threatening to withhold federal funds for Chihuahua. The case eventually went to a district court, which ruled in favor of the federal government. Legislators propose to legalize unregistered cars. Other PRI members have sided with Martinez. In mid-October, the commerce committee (Comision de Comercio) of the Chamber of Deputies sponsored a resolution to seek legislative changes this year to legalize the unregistered vehicles. The resolution was endorsed by 287 legislators in the lower house, including 122 members of the governing party.

The PRI members supported the measure despite strong opposition from Deputy Arturo Martinez, coordinator of the PRI delegation in the Chamber of Deputies. The resolution has also received strong support in the Senate. Several senators said they plan to summon members of the administration to testify about the issue. "We simply need to create a better response to the situation," said PRI Sen. Heladio Ramirez, who is also the representative of the Confederacion Nacional Campesina (CNC) in the Senate.

PAN presidential candidate Vicente Fox Quesada brought the dispute into his electoral campaign. At a rally in mid-October, Fox pledged to seek changes to the regulations that prohibit registration of the autos chocolate. Fox said his proposal would not harm the Mexican auto industry, since it would only apply to vehicles that are at least 10 years old.

Fox's campaign promise is at odds with the position taken by some prominent business organizations. The Consejo Coordinador Empresarial (CCE), the Asociacion Mexicana de la Industria Automotriz, the Asociacion Mexicana de Distribuidores de Automobiles (AMDA), and the Asociacion Nacional de Productores de Autobuses, Camiones y Tractocamiones (ANPACT) have all opposed the resolution passed by the Chamber of Deputies.

In a letter sent to the lower house in early November, the CCE said legalizing the 2 million unregistered cars would give their owners an unfair advantage over the 13 million Mexicans who acquired cars in Mexico. For its part, AMDA has proposed changing Mexico's tax code, which would make used vehicles more affordable.

AMDA president Juan Manuel Arriaga said his organization is lobbying the government to eliminate the federal tax on automobile sales (Impuesto Sobre Autos Nuevos, ISAN). The lost revenues could be replaced by a higher tax on gasoline consumption, the AMDA said. Arriaga said legalizing unregistered cars already in Mexican territory will only encourage Mexicans to bring more US vehicles into Mexico. (Sources: The News, 09/10/99, 10/12/99; Excelsior, 10/14/99; San Antonio Express-News, 10/29/99; The New York Times, 10/30/99; El Economista, 09/10/99, 10/14/99, 11/04/99, 11/05/99; El Universal, 11/05/99)

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