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Mexican Government Suspends Border Deposits for U.S.-Registered Cars

by LADB Staff

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In early December, President Ernesto Zedillo's administration suspended a regulation that would have required drivers of US-registered cars to leave a deposit as high as US\$800 before proceeding into the interior of Mexico. The administration implemented the fee, effective Dec. 1, to discourage the illegal importation of US automobiles (see SourceMex, 1999-11-08). On Dec. 2, however, the Secretaria de Gobernacion (SEGOB) suspended the program "indefinitely" because of strong public outcry. Administration sources said that Zedillo ordered the Secretaria de Hacienda y Credito Publico (SHCP), the Secretaria de Comercio y Fomento Industrial (SECOFI), and other agencies to draft an alternative plan to stem the illegal flow of foreign-purchased vehicles into Mexico.

The decision to rescind the fee came one day after the Mexican Senate passed a resolution urging the administration to abandon the proposal. The resolution, signed by Sen. Maria de los Angeles Moreno of the governing Partido Revolucionario Institucional (PRI), Hector Sanchez Lopez of the center-left Partido de la Revolucion Democratica (PRD), and Gabriel Jimenez Remus of the conservative Partido Accion Nacional (PAN), asked the president to consider the needs of Mexicans who reside in the US. "By eliminating the deposit, we will greatly benefit our fellow Mexicans living in the United States who want to return for the holidays," the resolution said.

Some governors had also raised concerns that the restrictions would discourage Mexicans from returning for the Christmas holidays. "This measure will hurt our country's economy," said PRD Gov. Ricardo Monreal of Zacatecas, who said many Mexican residents of the US would forego the trip this year, depriving their hometowns of an influx of money. The proposed deposit also brought protests from US legislators.

Members of the US Border Caucus in the House of Representatives wrote a letter to US President Bill Clinton urging him to pressure Mexico to drop the deposit requirement. "We are deeply concerned that Mexico may be erecting such a barrier which will divide our nations and hinder commerce," said a letter signed by Reps. Henry Bonilla (R-TX) and Solomon Ortiz (D-TX), who chair the caucus.

The newspaper El Paso Times said that US Sen. Kay Baily Hutchison (R-TX) had planned to hold a hearing to examine the fee but scrapped the plan after Mexico rescinded the program. "We should be tearing down barriers between our two countries, not inventing new ones," Hutchison told the paper.

Protests on both sides of border

The intervention of elected officials followed spirited protests on both sides of the US-Mexico border in the weeks leading to the fee's implementation. In Mexico City, several thousand members of the

debtors organization Asamblea Ciudadana de Deudores a la Banca (ACDB) gathered to protest the proposed deposit.

Their rejection of Zedillo's proposal was one of several agenda items raised during a rally to promote the interests of the Mexican agriculture community, including a demand that the government renegotiate the agricultural sections of the North American Free Trade Agreement (NAFTA). The ACDB, more commonly known as El Barzon, protested the deposit because most US-registered vehicles entering Mexico are introduced by agricultural workers (see SourceMex, 1999-04-21, 1999-05-26).

In the US, organizations representing Mexicans and Mexican-Americans began planning a campaign to boycott all Mexican products sold in the US unless the administration rescinded the fee. Organizers said the boycott, led by various groups of Mexican expatriates in Chicago, had the support of more than 1 million Mexicans residing in the US. Actions by Mexican expatriates also included protests in front of the Mexican Embassy in Washington and consulates throughout the US.

The expatriates' success in pressing the issue could lead to similar efforts in the future. Leaders and activists of Mexican-expatriate groups are planning to meet in Dallas in early February to form an umbrella organization to lobby both the US and Mexican governments on immigration and other issues affecting Mexican communities in the US. "This is the first time the Mexican community here managed to bring this kind of pressure on Mexico," said Luis Eduardo Pelayo Gomez, president of the Chicago-based Concilio Hispano. "It shows we can use our power and make changes."

Mexican Congress to introduce bill to legalize some cars

Mexican legislators, meanwhile, are planning to introduce legislation to legalize many of the US-registered vehicles that have been illegally introduced into Mexico in recent years. Under SECOFI regulations, such vehicles cannot be registered in Mexico. But PRI Sen. Heladio Ramirez Lopez, who is also the representative from the Confederacion Nacional Campesina (CNC) in the Senate, said federal legislators are drafting a bill to legalize 750,000 of the 2 million illegal automobiles, commonly known as "autos chocolates."

The Zedillo administration has announced steps to allow limited imports of used pickup trucks from the US for exclusive use by agricultural producers. Under this program, announced by SECOFI in late November, all such pickups will have to be at least 10 years old. Under NAFTA, easing restrictions on secondhand pickup trucks was already scheduled for 2009. SECOFI's plan moved up the opening by nine years. In announcing the change, Trade Secretary Herminio Blanco emphasized that the new policy, which will take effect Jan. 1, 2000, does not apply to the autos chocolates already introduced into Mexico without authorization.

The legislative proposal to legalize the autos chocolates and the administration's plans to ease restriction on used pickups have been severely criticized by motor-vehicle industry associations and other business groups.

In an interview with the daily newspaper El Economista, representatives from six business organizations called on the administration to develop a longer-term solution to illegal motor-vehicle imports. The groups, including the major business chambers Confederacion de Camaras Industriales (CONCAMIN) and the Camara Nacional de la Industria de Transformacion (CANACINTRA), said one solution would be to reduce the purchase price of motor vehicles in Mexico through the elimination of taxes.

Used automobiles in the US sell at prices that average one-third below those in Mexico. The wide price gap is related to the higher average incomes and attractive credit terms in the US, which encourage frequent trade-ins. The large supply of used cars, in turn, creates lower prices. In contrast, a tighter supply and high interest rates on loans contribute to much higher prices for secondhand vehicles in Mexico. (Sources: The Dallas Morning News, 11/17/99; Los Angeles Times, La Jornada, 11/26/99; El Paso Times, 12/01/99; San Antonio Express-News, 11/19/99, 11/27/99, 12/02/99; Associated Press, 11/26/99, 11/27/99, 12/02/99; The News, 11/30/99, 12/03/99; Reuters, 12/02/99, 12/03/99; Excelsior, 12/03/99; The New York Times, Notimex, 12/04/99; Novedades, 11/26/99, 11/30/99, 12/03/99, 12/06/99; El Economista, 11/29/99, 12/01/99, 12/03/99, 12/06-08/99; El Universal, 11/30/99, 12/01/99, 12/03/99, 12/08/99)

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