

- shipping Mexican goods to foreign destinations.

Under the NAFTA, Canadian companies will be allowed to carry freight in and out of Mexico, but this will be phased in over a 6-year period. In the first phase, beginning in December 1995, they will be restricted to the border states of Mexico, but they will be allowed to transport shipments between the U.S. and Mexico. In order to gain immediate access to the whole Mexican market, Canadian companies are entering into interchange agreements with Mexican carriers.

International trucking to and from Mexico presently accounts for about 15 percent of the total Mexican trucking market, but this is expected to rise to 20 percent over the next few years as trade increases under the NAFTA. In 1990, trucking accounted for almost 60 percent of Canadian imports from Mexico and 40 percent of Canadian shipments to Mexico.

The most important types of imported goods transported by truck are fresh produce as well as automotive parts and other components shipped to and from the in-bond *maquiladora* industry. A large proportion of this traffic is shipped for just-in-time delivery.

COMPETITION

Mexican and U.S. trucking companies are the main competition for Canadian firms entering the Mexican market. Trucking also faces competition from other modes, including marine, rail and air transportation systems. The government-owned rail system, *Ferrocarriles Mexicanos*, is expanding. The organization has been developing "rail-ports" which allow truck-rail intermodal transportation. There are serious obstacles to this expansion, however. Only limited initiatives by private enterprise have been allowed, and the system

is burdened with outdated infrastructure.

Marine transportation is also being modernized. The Mexican government has been granting concessions for privately-developed ports. An investment program totaling U.S.

\$100 million has been developed for the main Mexican ports of Manzanillo, Lázaro Cárdenas, Altamira and Veracruz. Nonetheless, marine transportation has long been hindered by the activities of trade unions, and the system is considered inefficient and unreliable.

CLEARING THE BORDER

A number of Canadian trucking companies are now serving Mexico through agreements with Mexican carriers. Their experience demonstrates the importance of careful advance preparation of customs documents.

Most Canadian truck shipments to Mexico cross the border at Laredo, or Brownsville, Texas. The usual arrangement is to consign the shipment to a Mexican customs broker retained by the importer. Mexican brokers maintain offices on the U.S. side of the border, where they take over responsibility for the shipment before it reaches customs.

Some Canadian companies offer lower rates for delivery to a bonded warehouse on the U.S. side where the cargo is transferred to a Mexican trucking company. That way the Canadian company does not have to deal with customs at all. But increasingly, Canadian trailers cross the border and are picked up by Mexican tractors operated by an affiliate of the Canadian transportation company. When the NAFTA changes are phased in, Canadian tractors and drivers will begin crossing the border as well.

The broker calculates the amount of duty and taxes payable and advises the importer. If the load contains less-than-truckload (LTL) shipments, this may mean unloading the trailer. The importer transfers the necessary funds into a customs bank account. Ideally, payment will have been pre-arranged.

The Mexican broker prepares a *pedimento*, which is an authorization for the goods to enter Mexico. The broker also visits U.S. Customs to close the Transit and Exportation bond (T&E bond) that allowed the goods to cross the United States.

Although the duty payment can be transferred electronically, the customs documents are not processed by computer. Mexican customs provides the broker with a bar code sticker. The broker places this sticker on the documents, and gives them to the driver who will move the trailer across the border.

The usual procedure is for a Mexican drayage tractor to haul the load over the bridge into Mexico. The drayage tractor moves the trailer to the customs booth, where a dispatcher employed by the broker meets the driver and handles the customs clearance. Random inspections are made of about 10 percent of all trucks crossing the border, in which case the trailer must be unloaded.

Although agriculture inspections may cause unexpected delays, the time needed for clearing the border depends mainly on the quality of the documentation, rather than the contents of the shipment. Some trucking companies can clear the process in a few hours. Some report delays of two days or more. In general, same-day clearance depends on two factors: advance arrangements between the brokers and early morning arrival of the truck at Laredo.



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