

DISTRIBUTORS

A distributor usually handles an exporter's product line on an exclusive basis, but unlike an agent, the distributor takes title to the goods. The choice of a distributor is an important task, especially since Mexican distribution channels are less well defined than those in Canada and there are many regional variations. When choosing a distributor, take into account the same factors as when choosing an agent, but also consider the following:

- relationships with local governments;
- relationships with buyers;
- condition of facilities;
- willingness/ability to keep an inventory; and
- relationships with banks.

RETAILERS

Larger retail chains and discount stores are playing an increasing role in the distribution of products to consumers in Mexico, and many of them import directly from foreign manufacturers. Mexico's largest retail chain is Grupo *CIFRA* with approximately US \$2 billion in annual sales. Other major retail chains include *Comercial Mexicana* and *Grupo Gigante*. These large retailers often purchase privately-branded merchandise in substantial quantities.

MEXICAN IMPORT REGULATIONS

The choice of distribution method will be influenced to some extent by the need to comply with Mexico's relatively complex import regulations. The Canadian exporter will usually need assistance from the importer or Mexican representative to ensure that all requirements have been met. Some of these requirements, such as those for certificates of compliance with quality standards, are the responsibility of the Mexican importer. But as a practical matter, the onus for compliance is often on the Canadian exporter because certain documents must accompany the goods when they cross the border.

It is wise to include certain documents with the shipment even though they are not required by law. The best example is the certificate of origin, which establishes the country where the goods were produced. The regulations do not require that this document accompany the goods, but the inclusion of an original signed certificate is a simple way to ensure that the shipment is not erroneously subjected to countervailing duties. Mexico imposes anti-dumping duties exceeding 300 percent on some Far Eastern goods. If preferential treatment under the North American Free Trade Agreement (NAFTA) is being claimed, a special NAFTA certificate of origin must be prepared. Again, it is prudent, although not mandatory, to include a signed original of this certificate with the shipment.

Imports must be cleared by a Mexican customs broker, retained by the Mexican importer. The broker must issue a *pedimento aduanal*, a petition to import into Mexico, and pay all duties and taxes before the goods are allowed to cross the border.

OVERVIEW OF MEXICAN CUSTOMS REGULATIONS

There must be a registered importer with a *Registro Federal de Causantes (RFC)*, taxation registration number.

Spanish labels, which meet specific content requirements, must be affixed to all consumer goods before they cross the border.

Certain documents must accompany the goods, including:

- commercial invoice;
- packing list; and
- bill of lading.

A North American Free Trade Agreement (NAFTA) certificate of origin must be in the possession of the importer if NAFTA preferences are being claimed. Otherwise, a general certificate of origin may be needed to avoid possible countervailing duties.

Some products require certificates of compliance with mandatory standards, health or phytosanitary certificates, or other special documentation.

Custom duties and taxes must be paid by the importer's customs broker before the goods are allowed into Mexico.