



CAAAREM

CONFEDERACIÓN DE ASOCIACIONES DE AGENTES ADUANALES DE LA REPÚBLICA MEXICANA

Vision 2006



ECONOMIC OUTLOOK CONFERENCE

KC SMART PORT:

MANY QUESTIONS AND FEW
ANSWERS





Introduction

- The Mexican government was approached to consider the development of a scheme of remote customs clearance in Kansas City. This project involves the creation of a designated area either within or next to the US Customs facility where Mexican customs will operate. Shipments will be released for export by US customs and immediately they will also be released for import into Mexico by Mexican customs.
- There are several angles from which to analyze this scheme. They can be categorized into four different areas.

Vision
2006

ECONOMIC OUTLOOK CONFERENCE

JUSTIFICATION OF THE KC SMART PORT FROM A LOGISTICS POINT OF VIEW





JUSTIFICATION OF THE KC SMART PORT FROM A LOGISTICS POINT OF VIEW

- In Logistics, everything revolves around time and Money
- At the end, time is also Money
- What are the competitive advantages of the KC Smart Port?



Rail Shipments

- Currently southbound rail shipments are prereleased through the *despacho previo* arrangement from many destinations in the US and Canada as far as Michigan, California and Washington state.
- Trains are lined up for crossing into Mexico hundreds of miles north of the border. Crossing times are minimal with no delays at the border.

Truck shipments

- FTL

It may depend on point of origination. Shipments coming from Northern US states may well do the long journey down to the South border in less time without a stop at an intermediate point.

- LTL

Distribution centers may be a possibility. Some industrial sectors already carry out milk rounds and consolidate further north, shipping FTL's to the border. For example automakers and the autoparts industry in the Detroit area.



Consolidation and Freight Forwarding costs

- The way Mexican customs regulations are laid out, most shipments are inspected prior to crossing.

Additionally LTL shipments are consolidated at the border before crossing into Mexico.

- How do labor rates, warehousing and other related costs compare to those prevailing in the border areas of Texas?



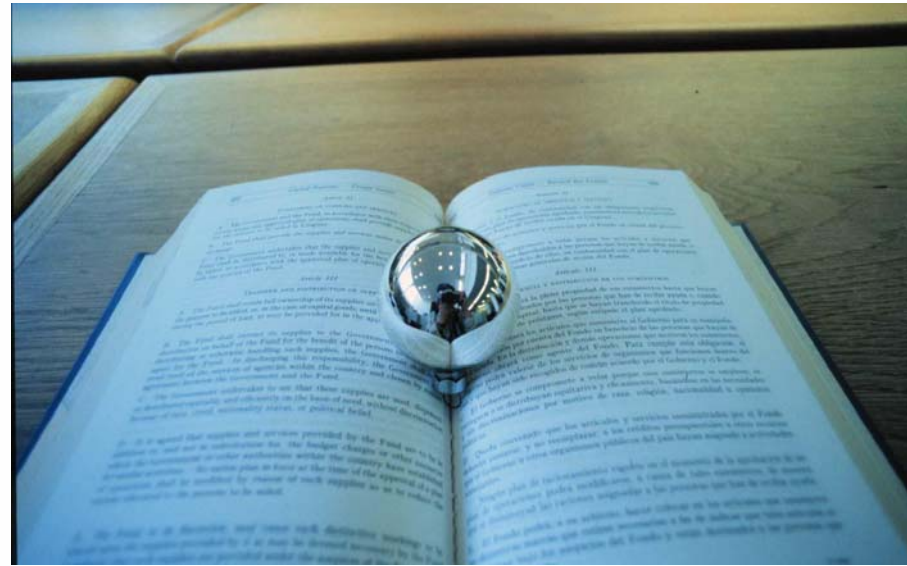
Through Freights to Mexico

- Since NAFTA provisions allowing the free transit of trucks between the US and Mexico have not been implemented, all through trailers into Mexico will necessarily stop at border areas to replace tractor and drivers.

Vision 2006

ECONOMIC OUTLOOK CONFERENCE

LEGAL ISSUES





LEGAL ISSUES

- **USA**

Is an approval from the US Senate required to allow Mexican Customs to operate in US soil?



LEGAL ISSUES

MEXICO

- Most concerns go around notions of extraterritoriality, sovereignty and enforcements of our laws
- Is it necessary a treaty between the US and Mexico allowing Mexico to establish a customs facilities in Kansas City?
 - This will require approval from the Mexican Senate
 - Is the Mexican President empowered to set up a customs office abroad? Is it necessary to promote a constitutional amendment to allow the president to proceed?

(Article 89, section XIII of the constitution)

LEGAL ISSUES

- Does Mexican Customs Laws have to be modified to allow for a customs office abroad?

(Article 143, section I of the Mexican Customs Law)

- Are these the political times for the Mexican Congress and Senate to even consider such changes?
- If a Mexican customs can be established in Kansas City, Will Mexican customs officials be allowed to operate as they do in Mexico?
- Some examples to illustrate this point, Some customs officials are armed while on duty. Will they be allowed to carry arms in Kansas City?
- What if any person be arrested for violations to Mexican Laws, will such persons be allowed to be taken to Mexico for legal actions? Will extradition treaties apply?



LEGAL ISSUES

- Import regulations from other government agencies.

Agricultural Ministry and Federal Attorney's office for the protection of the environment.

Inspections prior to crossing are carried out at the border and samples are taken for analysis. How will it be done at Kansas City?

- Authorized fumigation companies have to apply sanitary treatments. Will US fumigation companies be approved to undertake such treatments?

Use of Methyl Bromide for fumigation. Use in US Territory? Harmful to the ozone layers. World quota system.

Vision
2006

ECONOMIC OUTLOOK CONFERENCE

CUSTOMS CONTROL AND SECURITY





CUSTOMS CONTROL AND SECURITY

How will shipments be controlled in transit from Kansas City to the South Border?

US

Will shipments released in Kansas be considered already exported from the US?
What controls will US Customs apply?



CUSTOMS CONTROL AND SECURITY

- MEXICO

How will Mexican Customs ensure that shipments cleared in Kansas City will not be tampered with in transit to the border? Electronic seals, tracking devices, Sensors inside trailers.

- Will shipments released in Kansas travel to the border without customs controls? Will it be considered an international in-transit shipment under Mexican law?

Vision
2006

ECONOMIC OUTLOOK CONFERENCE

TRENDS IN SECURITY AND CUSTOMS OPERATIONS





TRENDS IN SECURITY AND CUSTOMS OPERATIONS

- Clearance at point of entry
- WCO's framework of security



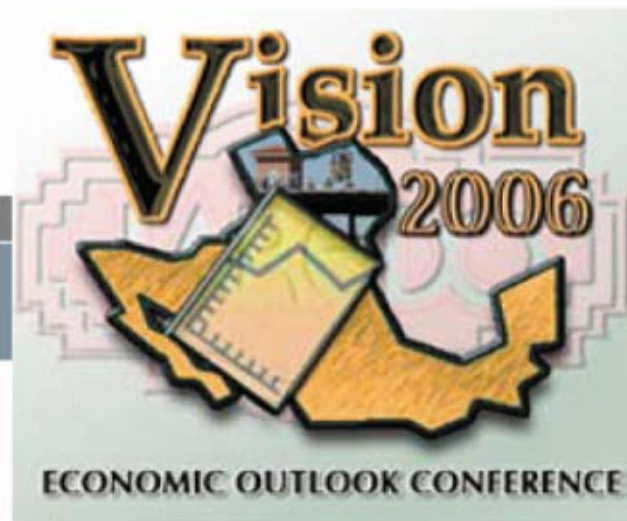
FINAL REMARKS

International trade is dynamic and in constant change. All alternatives should be considered and taken seriously. However, every merit should be evaluated under clear measures of performance, in qualitative and quantitative terms. All types of viability should also be accounted for.



CAAAREM

CONFEDERACIÓN DE ASOCIACIONES DE AGENTES ADUANALES DE LA REPÚBLICA MEXICANA



Francisco Jaime King

First Vice President

CAAAREM

fjking@caaarem.org.mx