



**Strategic Bonded Warehouse.  
Added-Value Investment.**

**GOODRICH**  
O RIQUELME  
● ASOCIADOS





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## STRATEGIC BONDED WAREHOUSE.

ADDED-VALUE INVESTMENT.

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### “MEXICO, ROBUST COMMERCIAL OPENING”

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**FREE TRADE** implies the release of goods and lifting commercial barriers between different countries to eliminate tariffs, adopting measures that foster sound investments.

Around the globe different economies are supporting the notion of free trade; several countries have adjusted their legislation by adopting rules that promote commercial opening.

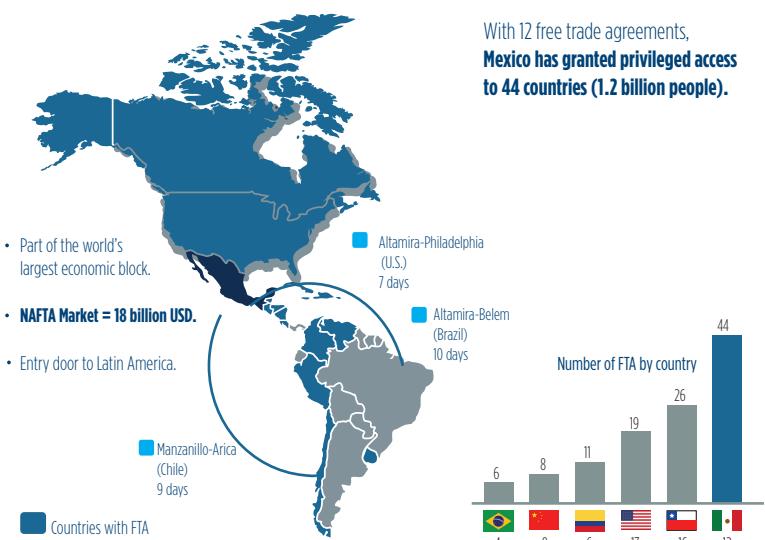
Mexico began the process of economic opening more than 20 years ago, by signing the General Agreement on Tariffs and Trade (GATT) in 1986.

With our country's adherence to the World Trade Organization (WTO) in 1995, the trade policy has had clear objectives: to delve in the economic opening, guaranteeing access to new markets and creating an investment-propitious environment.

Mexico has signed 12 Free Trade Agreements, 6 Economic Cooperation Agreements and 28 Promotion and Reciprocal Protection of Investments Agreements, granting privileged access to trade with over 44 countries.

With execution of a FTA with Russia in sight, our country has triggered an ideal business environment in the American Continent.

## Mexico FTAs represents 2/3 parts of the GDP



**Chart 1. Mexico: an open economy**

Source: IMF WTO WTO Sea Rate ProMexico.

Mexico is the Latin American country that gets the most benefit from its execution of 12 FTAs.

It is the access door to markets in the continent.

It is part of the world's largest block with access to a market of 18 billion USD.

At the VII G20 summit that took place in the State of Baja California in June, 2012, Mexico announced its incorporation to the negotiations for the Trans-Pacific Strategic Economic Partnership (TPP), part of one of the most ambitious free trade initiatives worldwide, fostering integration of the Asia-Pacific zone.

# STRATEGIC BONDED WAREHOUSE.

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## “TOWARDS 2020, SEVENTH WORLD ECONOMY”

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Goldman Sachs estimates our country will grow at a constant pace; Chairman of Asset Management, Jim O’Neil, who is credited for creating the acronym BRIC (expression used in the economic environment to refer to Brazil, Russia, India and China as the world’s most important developing

countries), estimated “*Mexico will become the 7th most powerful economy in the world by 2020 and will contribute with 7.8% of the Global Gross Domestic Product.*”

*It is estimated that by 2050, Mexico will be the 5th world economy.*

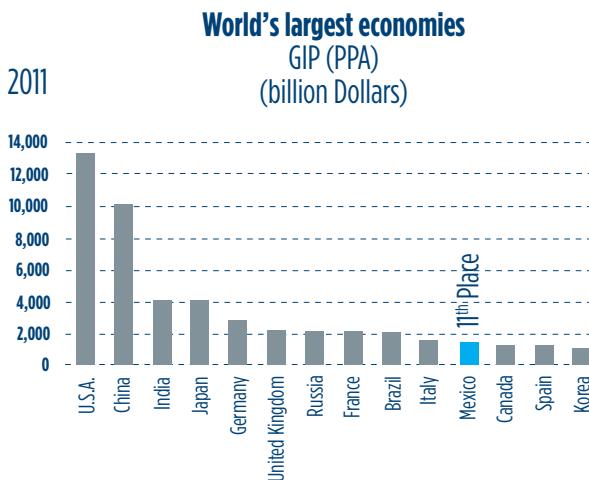
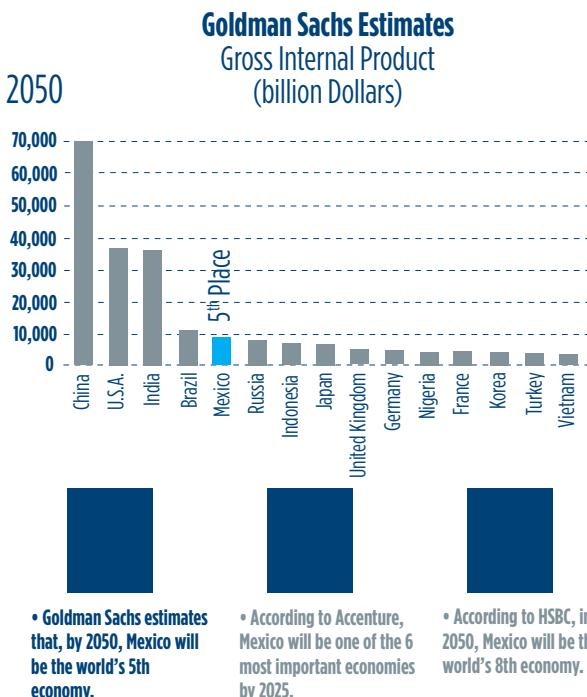


Chart 2. Estimates



Source: Goldman Sachs, The N-11 More than an Acronym. Global Economics Paper No. 153, March, 2007. HSBC ACCENTURE, Goldman Sachs Estimate / International Monetary Fund.

It is a proven fact that Mexico is a country that exports sophisticated products, due to its geographic position, low operation costs and ample availability of qualified labor. Our country obtains most of its investment in **aeronautical manufacturing**, around USD 33.0 million between 1990 and 2010, reaching exports above USD 4.5 million in 2011.

According to the study prepared in 2009 by the global management consulting firm, *The Boston Consulting Group*<sup>1</sup>, México obtained favorable results above those in Colombia, Brazil and India in 2 strategic sectors of the industry: a) costs and b) investment risks.

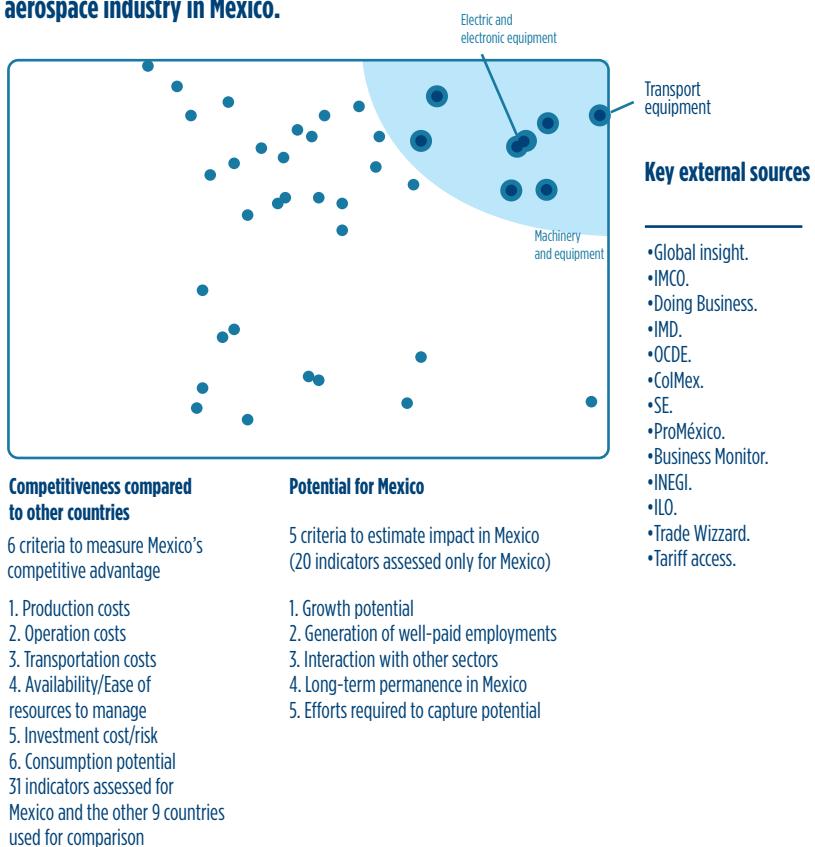
# STRATEGIC BONDED WAREHOUSE.

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**Costs:** Production (labor and consumables), operation (tax rates and preferential rates), transportation (infrastructure).

**Investment risks:** Regulation, access to credits, foreign investment and country risk-policies.

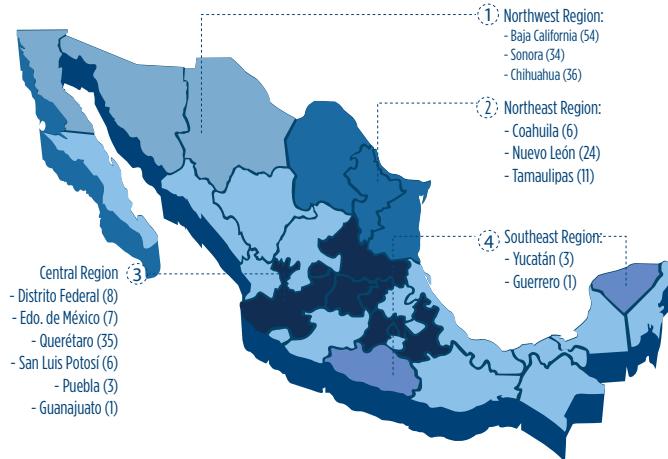
## Criteria used to measure the competitive advantages and the potential impact of the aerospace industry in Mexico.



<sup>1</sup>“Diagnosis and Strategies to Attract Investments and Operations to Mexico” The Boston Consulting Group (BCG 2009), a research requested by the Ministry of Economy as part of the 2012-2020 strategic program to promote development of the air space industry.

There are several regions specialized in manufacturing, engineering and aeronautic design divisions, as well as maintenance and repair services located in the Northwest, Northeast, Central and Southeast of the country.

Companies: 238  
 States: 17  
 Employments: 29,000+



**Chart 4. Air Space Industry in Mexico**



Source: Mexican Federation of the Air Space Industry (FEMA, for its initials in Spanish, Federación Mexicana de la Industria Aeroespacial), Ministry of Economy.

The arena is rather similar for the **automotive industry**, where investment flow grew 65% in the production of vehicles from 1999 to 2011, from 1.5 to 2.5 million units in 2011.

Car-assembly companies manufactured 206,389 vehicles in the fourth month of 2012, out of which 168,907 units were exported. Exports of cars manufactured in Mexico rocketed by 19.5% in April 2012.

According to the “Competitive Alternatives” survey carried out by KPMG, low costs in Mexico are at least 12% below those of the United States of America, which has been an important factor to draw investments in the automotive industry to our country, complementing with other competitive advantages:

## STRATEGIC BONDED WAREHOUSE.

### ADDED-VALUE INVESTMENT.

- Low manufacturing costs combined with high productivity.
- Free trade agreements with access to over 40 countries.
- Geographic proximity to the US market and easy access to other key markets, allowing for lower transportation costs and a shorter delivery time into the market.
- Presence of the most important *Tier 1* vendors globally with a well-structured value chain, organized in dynamic and competitive clusters.
- Growing internal market supported by a demographic structure that gears towards age groups with higher purchasing power.

*Mexico has created an ideal business environment to install the leading companies in the sector and continues growing in such industry to consolidate as export potency of industrial and advanced goods.*

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**Chart 5. Automotive Industry in Mexico**



Source: AMIA

[www.amia.com.mx](http://www.amia.com.mx)

## STRATEGIC BONDED WAREHOUSE.

ADDED-VALUE INVESTMENT.

With solid basis to promote trade, and in line with the new schemes in the field of international logistics, Mexico introduced changes to its foreign trade policy by establishing a novel regime that fosters competitiveness and promotes productive investment.

This scheme granted a plus in exporting sophisticated products and offers investors added value in commercial transactions in their trade, production and logistics operations.

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### “ADDED-VALUE INVESTMENTS”



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The introduction to the Amendment Protocol to the International Convention on the Simplification and Harmonization of Customs’ Procedures (the revised Kyoto Convention) adopted in Brussels in 1999, mentions the purposes that need to be met to respond to the needs on ease, simplification and harmonization of the trade and customs’ practices.

It highlights the importance of establishing free zones as means to grant exceptions on the fees and import rates to foster international trade for complying with the above mentioned purposes.

The Report denominated Special Economic Zones prepared by the World Bank through the The Multi – Donor Investment Climate Advisory Service, known as FIAS defines free zones as, geographically defined zones administered by a single entity offering incentives (*related with benefits in the import not subject to payment of taxes and simplification of customs’ measures*),

to the companies physically located in such zone.

*Special Economic Zones, the World Bank Group, The Multi - Donor Investment Climate Advisory Service, Washington April 2008. p 10 - ll.*

In general terms, the purpose of a free zone implies having access to part of the territory of a country under tax, customs and logistics benefits in order to obtain added value in the foreign trade processes.

In the particular case of Mexico, this system was adopted under a model called **Strategic Bonded Warehouses**.

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## "STRATEGIC BONDED WAREHOUSE"

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Strategic Bonded Warehouses have their origins in *tax-free zones*. Constituting customs-exemption models which allow for the introduction of foreign and/or domestic goods in a limited area without paying the General Import Tax, Value Added Tax and Special Tax on Production and Services, there's also the benefit of not triggering Antidumping duties and no obligation to comply with certain regulation and non-tariff restrictions.

*The Strategic Bonded Warehouse arose with the modernization of the Mexican customs' system that took place from 1997 to 2006, and was the result of our country's commercial liberalization and opening.*

They constitute Mexico's contribution for creating economic-industrial operations' models in line with free trade; they are located within or adjacent to customs areas in the National territory, and are subject to the supervision of third parties or the port compound in the case of sea, border, and internal railroad or air traffic compounds.

*Industrial processes that take place in the strategic bonded warehouses obtain added-value: benefit directly from preferential tax rates and access to premises right next to ports, railroad, air, port and multimodal terminals..*

Through this scheme, Mexico grants other competitive advantages that assist foreign investment to benefit in its industrial, commercial and logistics processes on a global basis, and to obtain privileged access to markets that constitute part of the Mexican foreign-trade block.

Benefits obtained in the Strategic Bonded Warehouse exceed those of the current program for the Manufacturing Industry known in Mexico as IMMEX (*maquiladoras*).

Some significant differences are defined in the following comparative chart.

## **STRATEGIC BONDED WAREHOUSE.**

### **ADDED-VALUE INVESTMENT.**

## **IMMEX**

IMMEX Program is operated by an entity (company).

- It allows for the temporary Import of goods used in industrial or service process used in the (i) processing, (ii) transformation or (iii) repair of goods from foreign provenance for their further export and/or return.
- Tax benefits: Regarding Income Tax for companies (*maquiladoras*) for importing consumables, machinery and equipment owned by foreign entities, the benefit of not triggering a Permanent Establishment of such foreign entity. No Value Added Tax is paid for importing consumables, machinery and equipment on a temporary basis.
- Customs' Benefits: No General Import Tax is paid on the temporary import of consumables, except for certain cases set forth in the Mexican Customs' Law. General Import Tax is paid on the temporary import of machinery and equipment.
- Terms: The term for returning consumables is from 6 to 18 months, depending on the type of goods, for machinery and equipment it is the term of the program.
- The IMMEX Program is authorized and supervised by the Ministry of Economy.

## **STRATEGIC BONDED WAREHOUSE**

Strategic Bonded Warehouses have a double function and can be operated in two ways:

- (i) By an *Administrator*; legal entities (companies) that have the use or enjoyment of a real estate property located within or adjacent to customs areas, subject to surveillance (authorization offered to third parties), or port premises and obtaining the *approval* for such real estate to operate as a Strategic Bonded Warehouse. Companies, state governments and integral port administrations can obtain such approval.

The functions of Administrator consist in supervising and controlling the real estate property, as well as operating the infrastructure.

Some of the benefits from operating a Strategic Bonded Warehouse as an economic-industrial center are included in the following list:

- Attracting capital investments.
  - Generating new flow currencies.
  - Promoting transfer of technology.
  - Creating development poles in certain regions.
  - Improving the level of qualified labor.
- (ii) By a *User or Administrator*; legal entity (company) that has the use or owns right to exploit a real estate property within the **Strategic Bonded Warehouses**. Some of the benefits for bringing in goods under this regime are the following:
- Authorization to admit National and foreign goods into specific real estate properties for (i) storage, (ii) display, (iii) sale, (iv) distribution (v) elaboration, (vi) transformation or (vii) repair of goods.
  - Tax benefits: No obligation to pay Value Added Tax for the introduction and sale of goods. No obligation to pay the Special Tax on Production and Services. Benefits on Income Tax.
  - Customs' Benefits: No obligation to pay General Import Tax on foreign goods (consumables) brought, except for certain cases set forth in the Mexican Customs' Law, or on machinery and equipment.
  - Terms: The term for returning consumables is of 60 months and for machinery and equipment for the period of the authorization that can be up to 20 years.
  - Operational and logistics benefits:

Domestic goods subject to the regime shall be deemed definitively exported.

Benefits for industrial processes that generate waste and scraps.

Not subject to compliance with non-tariff regulations and restrictions and Official Mexican Standards, except for certain cases.

Registration of the new certified company scheme on logistics and international transportation of goods.

## **STRATEGIC BONDED WAREHOUSE.**

### **ADDED-VALUE INVESTMENT.**

As of July 2012, the following Strategic Bonded Warehouses have been authorized and approved by the Tax Administration Service (SAT, for its initials in Spanish, *Servicio de Administración Tributaria*).

Geographic location in National territory.	Name of customs' premises.	Center for economic-industrial development (Premises) authorized to operate as Strategic Bonded Warehouse.
State of Aguascalientes.	Aguascalientes.	Recinto Fiscalizado Estratégico de San Luis, S.A. de C.V.
State of Tamaulipas.	Altamira.	Administración Portuaria Integral de Altamira, S.A. de C.V.
State of Chiapas.	Ciudad Hidalgo.	Fideicomiso para la Habilidades y Administración del Recinto Fiscalizado Estratégico Puerto Chiapas.
State of Chihuahua.	Ciudad Juárez.	Corporación Inmobiliaria San Jerónimo, S. de R.L. de C.V.
State of Nuevo León.	Colombia.	Corporación para el Desarrollo de la Zona Fronteriza de Nuevo León.
State of Guanajuato.	Guanajuato.	Guanajuato Puerto Interior, S.A. de C.V.
State of Michoacán.	Lázaro Cárdenas.	Fideicomiso Recinto Fiscalizado Estratégico Zona Franca del Puerto de Lázaro Cárdenas, Michoacán.
State of Sonora.	Guaymas.	Consejo para el Recinto Fiscalizado Estratégico de Sonora.

As of the month of July 2012, the following Strategic Bonded Warehouses are operational:

- Recinto Fiscalizado Estratégico de San Luis, S.A. de C.V.
- Fideicomiso para la Habilitación y Administración del Recinto Fiscalizado Estratégico Puerto Chiapas.

In the process of becoming operational:

- Fideicomiso Recinto Fiscalizado Estratégico Zona Franca de Lázaro Cárdenas.
- Consejo para el Recinto Fiscalizado Estratégico de Sonora.

Strategic Bonded Warehouses constitute a very attractive investment alternative for foreign and domestic companies that carry on with productive processes. Its regime constitutes a business model for international trade that benefits several industrial sectors by granting administrative, tax and logistics benefits.

The manufacturing industry (*maquiladoras*) can consider the Strategic Bonded Warehouses as a new alternative to enhance exports of sophisticated products.

## **STRATEGIC BONDED WAREHOUSE.**

**ADDED-VALUE INVESTMENT.**

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### **“THE VALUE OF A SOLID AND INNOVATIVE FIRM”**

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With almost 80 years' experience and over 250 professionals and staff members, Goodrich Riquelme y Asociados is one Mexico's 5 most important full-service legal firms.

From its inception (1934) to the present, the firm has specialized in representing all legal services of the most relevant players, many of which are in the Fortune 500 category. As can be corroborated in the international law firm directories; our Customs and International Trade practice represent the

success cases both in the manufacturing and the agro-industrial industries.

Therefore, we are proud to be market leaders in innovation and operation of the international trade projects of our clients.

One of these is the success case our firm concerted advising one of our clients in the operation of a Strategic Bonded Warehouse, in order to carry on with customs' operations under the Strategic Bonded Warehouse regime.

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## “SUCCESS CASE”

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In the year 2011, the State Government of Chiapas inaugurated the “Puerto Chiapas” Strategic Bonded Warehouse with an area of more than 30 hectares (approx 74 acres), of fully developable land; this zone hosted the first investment on an agro-industrial *transformation plant*.

With an investment of more than 530 million Pesos backed by Federal and State funds together with private initiative, our client was able to invest in the Strategic Bonded Warehouse to obtain the first Authorization for operation of strategic bonded warehouse customs’ regime, and carry on with industrial processes in order to export its products to the European, Asian and American markets.

Goodrich contributed effectively with Federal and State Government Entities to obtain the authorization, even when the premises were not yet fully operational.

As of 2012, business benefits for our client mean tax benefits (exemption in payment of taxes), simplification of administrative and operational paperwork and logistics benefits for the tax free zone.

As proven with the experience and leadership of a solid and innovative legal firm, Goodrich represents not only consulting, litigation or arbitration services on foreign trade and customs.

It also represents and generates true added value in projects and investments which lead to more solid and profitable investments than originally concerted by our clients.

Based on the above, our firm will continue searching for new business opportunities in the field of foreign trade in order to rally the “success case” in any other industry that benefits from obtaining authorizations to operate and allocate goods under the Strategic Bonded Warehouse regime.



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