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Expert Insight: Guest Contribution

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Powers International, LLC

**Global Logistics News: Diminishing the Mexican Broker Control of the Border
New and Innovative Pre-Screening Pilot could Improve Efficiency, Effectiveness, and
Security of the Supply Chain on Mexican Border**

U.S.-Mexico commercial cargo-crossing practices may soon change. That change would remove the entrenched Mexican Customs Brokers' control of 75% of the cross-border commercial traffic revenue, amounting to a hidden tariff estimated to be \$2-3 billion each year. This unofficial tariff is the direct result of current Mexican Customs Brokers' control.

Current System

Normally, the Custom Broker practices of trading nations involve two fundamental types of activities, the outbound Broker functions and the inbound Broker functions, with each trading nation's brokers performing 50% of the clearing process. However with Mexico, the Mexican outbound processes and in-bound process, and the outbound U.S. broker processes are controlled by Mexican Customs Brokers. That means that the outbound process of U.S. goods being exported to Mexico by land conveyance, normally a U.S. function, is in the exclusive hands of unlicensed Mexican Forwarding Agents as opposed to federally-licensed U.S. Brokers and Forwarders.

When a Mexican Customs Broker initiated the electronic Single Window Entry to export goods from the United States into Mexico, he had to comply with Mexican regulations that require the use of the Mexican inward manifest (Relacion de Entrada) now electronic and similar to the U.S. e-manifest be submitted at the time of entry along with the relevant commercial invoice. This Relacion de Entrada and another entry summary document (Pedimento de Importacion) must be prepared and processed by a licensed Mexican Customs Broker (Agente Aduanal). This process involves a series of functions including appraisalment, classification, inspection, inventory, and others. This practice has traditionally taken place in the United States prior to the cargo's crossing into Mexico.

Additionally, Mexico allows only Mexican citizens who were born in Mexico to be licensed Customs Brokers. U.S. Customs Brokers and Freight Forwarders who are citizens of the United States are, therefore, not allowed to be licensed in Mexico to provide these fundamentally U.S. forwarding services, although they must be performed

in the United States. Only Mexican citizens can facilitate cargo crossing into Mexico by land. (Air and Vessel carriage are not controlled in the same fashion.) The exact reason for the requirement that a Mexican Customs Broker's wholly owned U.S. subsidiary is required to arrange to forward exports to Mexico is actually contained in the "Reservations Section" of NAFTA.

These Mexican Customs Brokers are essentially a cartel of business enterprises that influences costs, speed of movement, integrity of the cargo and ultimately the security of our border as it relates to commercial land conveyance. Even Mexico's Aduana is not happy with the control of these Brokers. However, things are about to change.

A New System Cracking Mexican Broker Control

The Otay Mesa Chamber of Commerce at the end of October announced that as a spinoff of the Security Bilateral Agreement between the U.S. and Mexico, there will be an innovative pilot program utilizing pre-clearance process which both U.S. Customs and Border Protection (CBP) and Mexican Customs will inspect trucks and process their entry into the U.S in a facility located in Otay, Tijuana, Mexico. "Shipments that are cleared within this facility would directly access the commercial "FAST" lane into the US and by-pass an inspection at the U.S. import facility. In other words, it is a one stop shopping clearing house that will save trade stakeholders time and money." Mexico's Ambassador to the United States, **Arturo Sarukhan**, said the countries are just days away from unveiling this initiative, which he said would be a "giant step toward eliminating hours' long waits for cargo companies approved for the program."

However, the Ambassador stated that the Start date for the initiative isn't certain although acknowledging that there would be initially three inspection sites on the U.S.-Mexico border, and said U.S. Customs and Border Inspection officers will be in Mexican territory conducting the inspections. According to accounts in the



Texas Tribune on November 16th, the Ambassador when asked specifically where, and if those sites included the border cities of Nuevo Laredo or Ciudad Juarez, which border Texas at Laredo and El Paso, respectively, declined to identify the ports-of-entry (POE).

Through my contacts in Mexico, I have discovered that, in fact, Laredo Texas will be a site where Mexican Customs will have their personnel work at the Laredo International Airport in January 2013. They will initially pre-screen electronics exported from the United States into Mexico. The potential significance of this pilot program is immeasurable at this time, but portends significant cost savings by eliminating the Mexican Customs Brokers' control established through the use of his exclusive unregulated forwarding agent in the United States. It would also mean more certainty for U.S. Customs Brokers filing in-bound documentation.

Of course, a program like this when fully developed and covering more than agricultural

and electronic products can also diminish the use and need for warehousing on the U.S. side. By removing the Mexican Customs Brokers' control on the U.S. side, it will also improve the security of in-bond shipments since all in-bond shipments can, if made part of the new system, be inspected by CBP in Mexico and by Aduana in the United States. It will also have an impact on potential drug cartel involvement within the Mexican Customs Brokers' network, especially when new breach-detecting container security devices are used to monitor shipments from origin to destination, in another innovative potential pilot currently being discussed to begin on the Mexican-U.S. border.

Summing It Up

While only the initial crack in breaking apart the current Mexican Broker control system, this new and innovative pre-screening pilot could improve efficiency, effectiveness, and security of the supply chain operating across our Southern border, literally saving billions of dollars in hidden, unnecessary costs within the current system.

Coupled with container security device technologies that identify and verify content at stuffing, monitor container and trailer movement, their internal environment, breaches into them, and off-course notifications can and will dramatically facilitate trade, reduce costs, and improve security.

About the Author



Dr. James Giermanski is the Chairman of Powers Global Holdings, Inc. and President of Powers International, LLC, an international transportation security company. He served as *Regents Professor* at Texas A&M International University, and as an adjunct graduate faculty member at the University of North Carolina at Charlotte. He was Director of Transportation and Logistics Studies, Center for the Study of Western Hemispheric Trade at Texas A&M International University.

He has authored over 150 articles, books, and monographs with most focusing on container and supply chain security, international transportation and trade issues.

Giermanski Says:

“ A program like this when fully developed and covering more than agricultural and electronic products can also diminish the use and need for warehousing on the U.S. side. ”