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USMCA: BREAKING DOWN THE NEW NORTH AMERICAN FREE TRADE AGREEMENT

BY ADMIN , LOS ANGELES

ADMIN



After a year of negotiations, Canada, Mexico, and the United States have come to a tentative new trilateral free trade agreement called the United States - Mexico - Canada Agreement (USMCA). It builds upon the original NAFTA agreements to encourage trade via a tariff-free North American marketplace with new chapters for modern trade and changing trade economies.

While exact points may change in the coming months -- all three countries have yet to ratify the agreement, and [it isn't expected to go into effect until 2020](#) -- the general tone of the new

agreement is likely to remain the same.

The Details: Differences, Stipulations, Agreements

Many details of USMCA update and modify the original NAFTA text. The state-to-state settlement process found in NAFTA is present in USMCA, for example, which is an indicator that trade disputes will be handled much the same way they were under NAFTA.

There are some key differences between the agreements, though. For one, [agricultural trade between the three nations looks vastly different under USMCA](#); American dairy farmers, in particular, will have new access to sell fluid milk and dairy products in Canada.

In the spirit of modernizing trade agreements between the countries, new provisions for information sharing have been written into the document. In one section, information exchange and cooperation on agricultural biotechnology will be increased, expanding from the TPP's agreement on rDNA to cover all DNA.

To keep trade between the three countries fluid and fair, a number of trade stipulations have been written into the agreement. One such stipulation states that if the United States is ever to use Section 232 measures -- national security tariffs -- on automobiles in the future, [it must provide Canada with a minimum 60-day exemption to negotiate alternative outcomes](#), and Mexico has a similar side-letter provision in place for its automobile industry.

Another provision states that [all three countries must commit to 40 percent of all North American automobile content to be made by workers being paid at least \\$16 an hour by 2023](#), a provision that will largely impact Mexican business and workers.

In order to keep the agreement's provisions modernized, the agreement must [be renewed by all three nations every 6 years](#), during which the 16-year sunset clause can be renewed for another 16 years.

Exporting Under USMCA: Trade and the Supply Chain

One of the biggest differences between NAFTA and USMCA is [the addition of the new Customs Administration and Trade Facilitation Chapter](#). This chapter introduces standardized, modern customs procedures throughout North America, including the raising of de minimis levels for Mexicans and Canadians to \$117 USD and \$150 CAD, respectively. This was one of the entries in the new USMCA that revolves around opening up the supply chain for North Americans at all levels, but it isn't the biggest.

Now that USMCA has been provisionally finalized, supply chain professionals can start to examine the agreement for ways the contents of the agreement will impact their industry. The fact that all three countries stayed on one agreement, instead of negotiating separate binational agreements, is good news; supply chain managers can streamline their processes according to one set of trade rules, and even more so now than with NAFTA as [USMCA includes several provisions for reducing the use of trade distorting policies](#).

Supply chain professionals around North America are optimistic that an agreement has been achieved, as it will facilitate continued economic growth for the three countries involved. In one major example, Canada's dairy supply management system has been modified to allow for increased American access, expanding the American dairy supply chain north by allowing for more trade; American dairy farmers will be able to sell whey and margarine tariff-free in Canada now.

Agricultural exports traded between Mexico and the United States also have new provisions -- no tariffs will be applied to any agricultural trade between the two nations.

USMCA represents a new era for the North American supply chain. Tariff-free trade, modernized

agreements, and increased cooperation between the three nations promises for a bright trading future for all parties involved.