



U.S. - Mexico – Canada Agreement (USMCA)

The new trade agreement and how will it impact the US – México trade balance

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Trade Policy Pillars



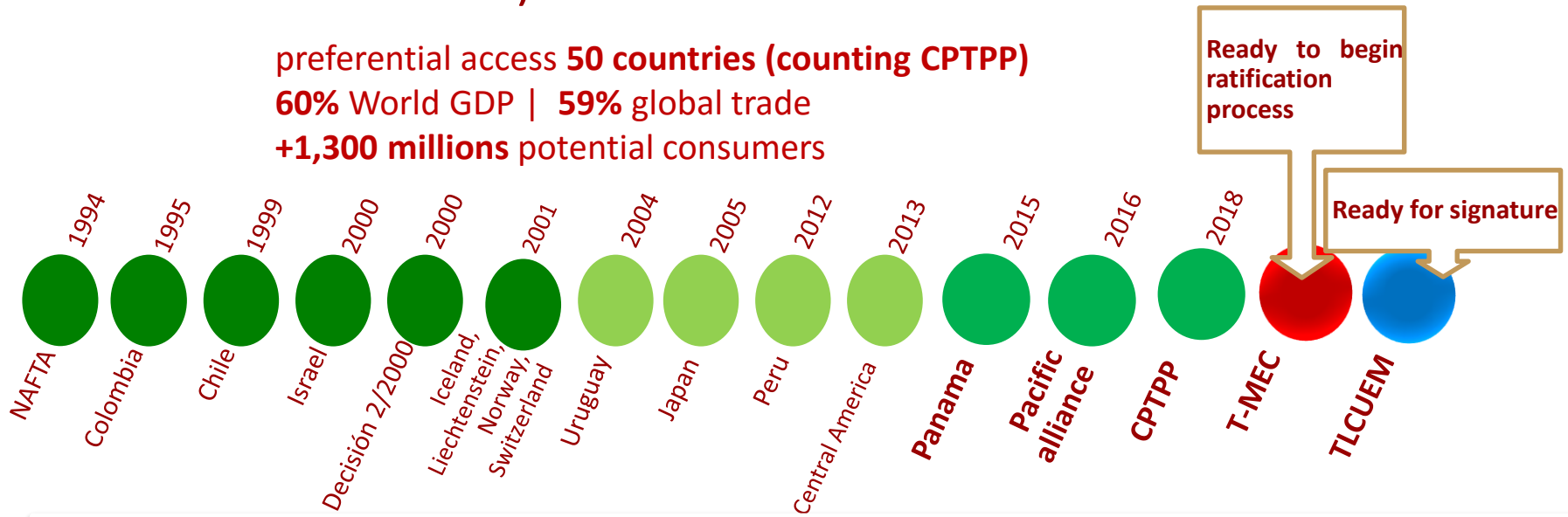
Strengthening of the Commercial Network Mexico



Network of FTAs:

13 FTAs in force (81% trade Mexico worldwide)

preferential access **50 countries (counting CPTPP)**
60% World GDP | 59% global trade
+1,300 millions potential consumers

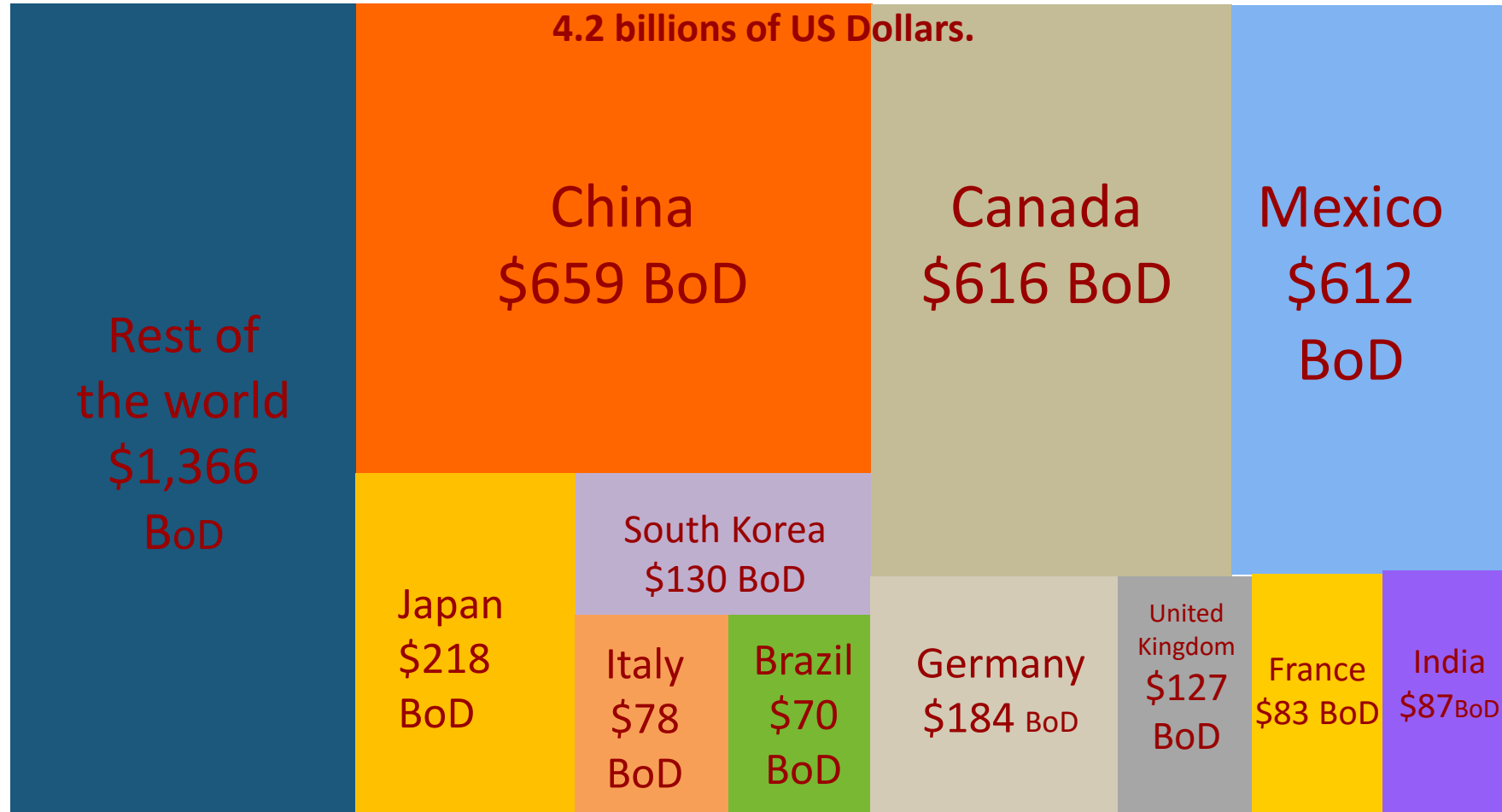


Agreements: 13 free trade | 31 investment | 6 Economic Complementation | two partial scope.

The relevance of NAFTA for U. S.

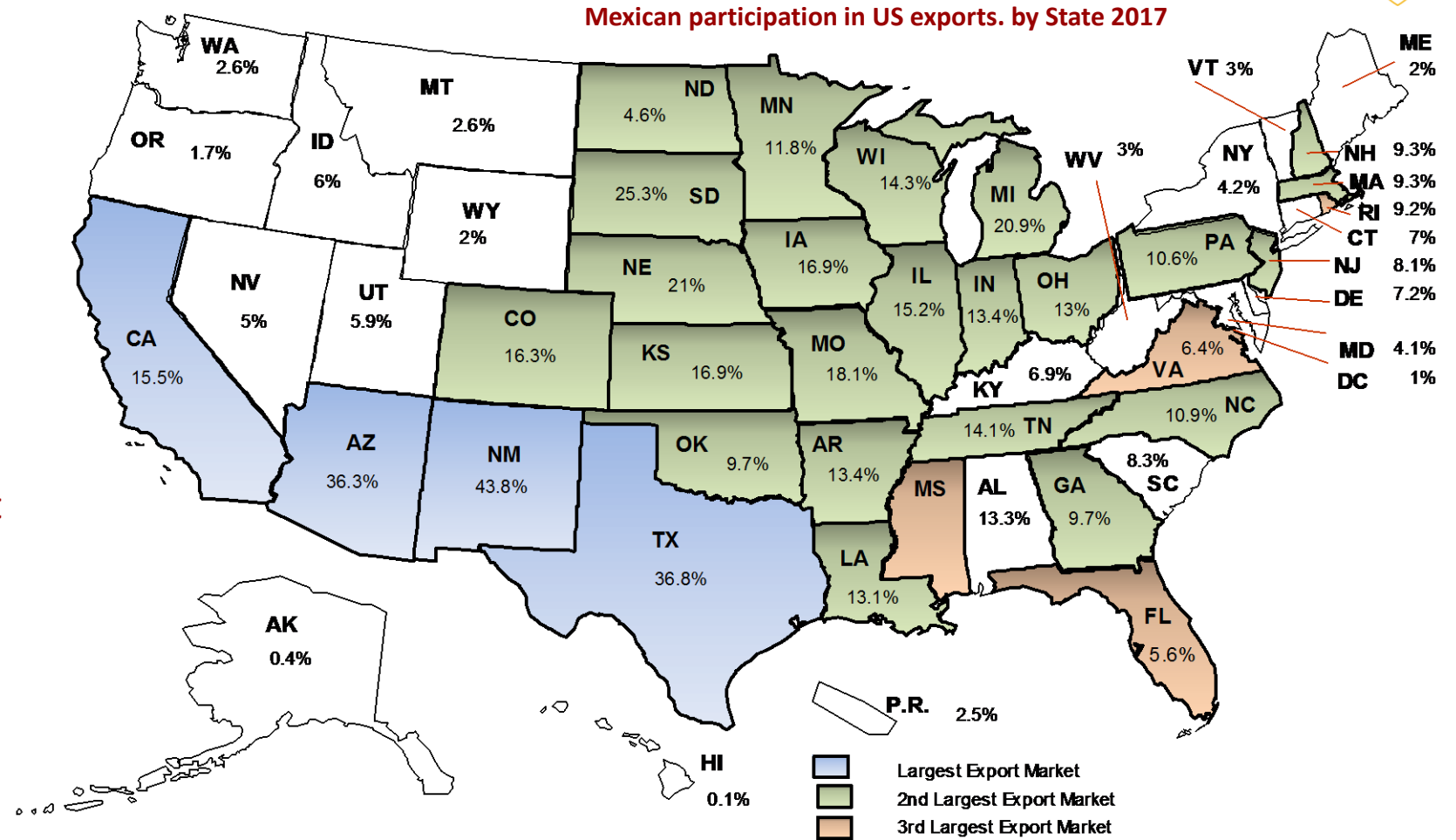


Bilateral Trade of United States. 2018



Source: USDOC

Mexico is an important export destination for each U.S. state

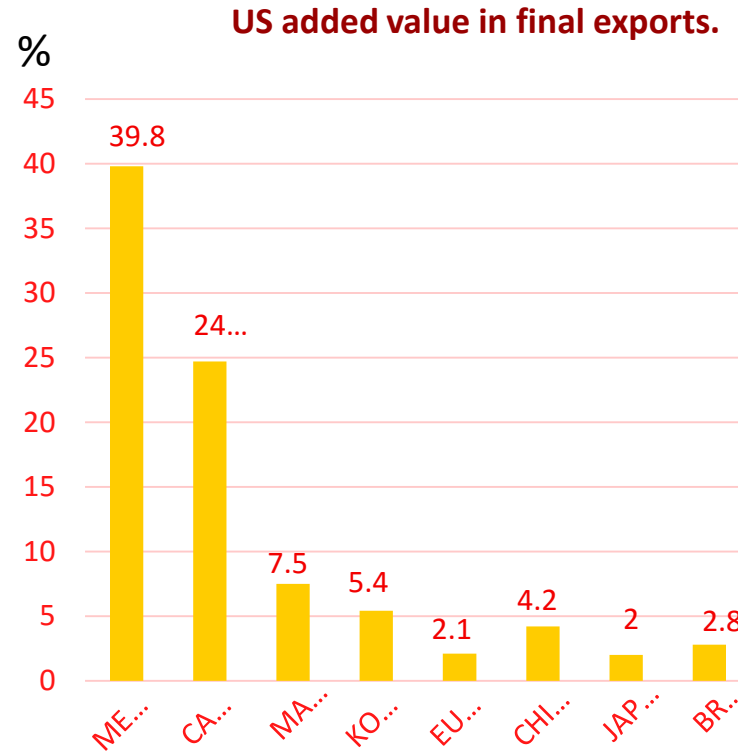


Mexico is among the 3 main export markets of 32 states of the U. S.

Mexico strategic partner for U. S.



When Mexico exports, United States exports as well. * 40% of the added value of Mexican exports come from US.



Mexico and The United States do not limit to trade in goods; They work together to manufacture them.

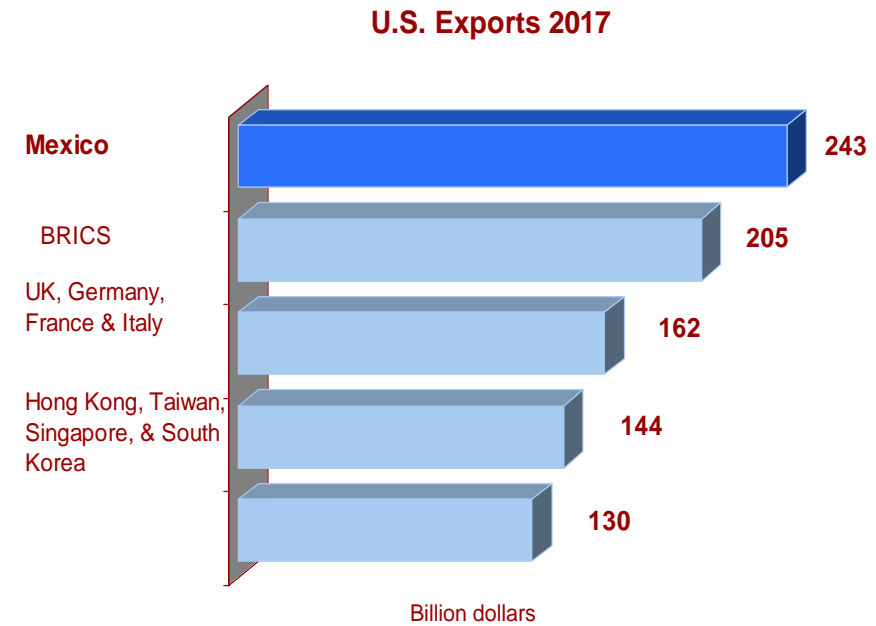
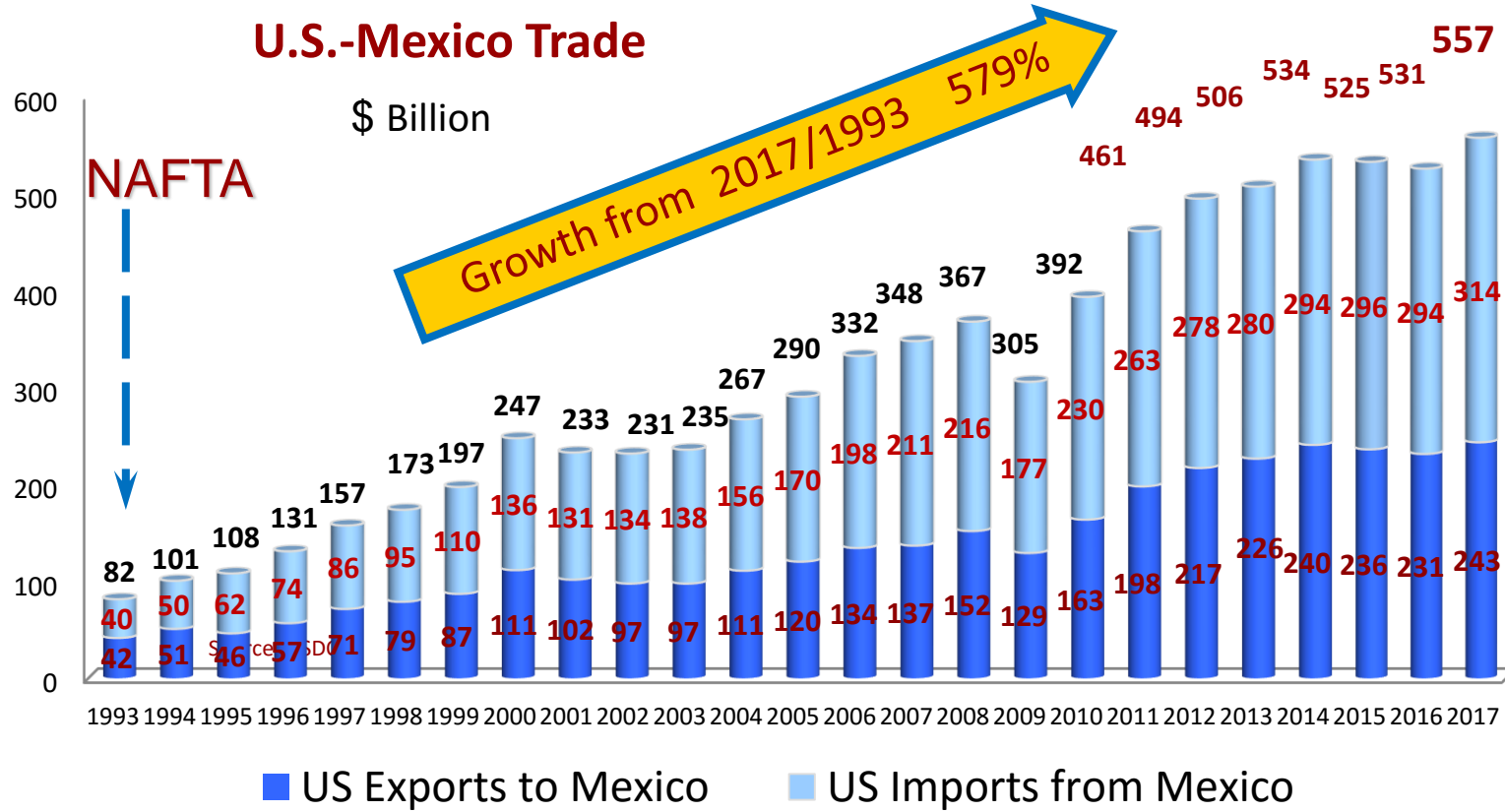
Fuente: NBER, Global Value database in Koopman, Powers, Wang, Wei (Septiembre 2010, revisado en Marzo 2011)

US – Mexico trade has reached historic levels...



- ✓ Bilateral trade is **7 times** bigger than before NAFTA
- ✓ Mexico is the **3^{er}** largest trading partner of the US
- ✓ **\$1.5 billion** in products are traded bilaterally each day

- ✓ US exports to Mexico reached **\$243 billion**
- ✓ Mexico buys **16%** of all US exports



USMCA Architecture



1. Initial Provisions and General Definitions	12. Sectoral Annexes	23. Labor
2. National Treatment and Market Access for Goods	13. Government Procurement	24. Environment
3. Agriculture	14. Investment	25. Small and Medium-sized Enterprises
4. Rules of Origin	15. Cross-Border Trade in Services	26. Competitiveness
5. Origin Procedures	16. Temporary Entry	27. Anticorruption
6. Textiles and Apparel	17. Financial Services	28. Good Regulatory Practices
7. Customs and Trade Facilitation	18. Telecommunications	29. Publication and Administration
8. Energy	19. Digital Trade	30. Administrative and Institutional Provisions
9. Sanitary and Phytosanitary Measures	20. Intellectual Property	31. Dispute Settlement
10. Trade Remedies	21. Competition Policy	32. Exceptions and General Provisions
11. Technical Barriers to Trade	22. State-Owned Enterprises	33. Macroeconomic Policies
		34. Final Provisions



New Chapters



Modernized Chapters

USMCA-Challenges of an atypical negotiation

Poison Pills	USMCA
<p>1. Modification of 100% of specific rules of origin.</p>	<p>1. Improved rules of origin of specific industries: chemicals, glass, fiber optic, steel products, TVs, electric equipment.</p>
<p>2. Auto Rule of Origin (light + heavy duty vehicles) Regional value content = 85% and US content = 50%</p>	<p>2. Strengthened auto rules of origin Regional value content =75% Labor component =40%-45%; Duty-free and unlimited market access</p>
<p>3. Elimination of dispute settlement mechanisms (Chapters 11, 19 and 20).</p>	<p>3. Investor – State. Provides investment protections, with a focused investor-state disputes settlement mechanism : Oil & Gas, Transportation, Telecommunications, Energy, and Infrastructure. State – State. Preserved Trade Remedies. Preserves disciplines and mechanisms to address unfair trade practices (AD/CVD) and safeguards.</p>
<p>4. “Seasonality”: Put seasonal curbs on some agricultural exports to the US, mainly in fresh produce.</p>	<p>4. Agricultural exports maintain duty free an unlimited market access.</p>
<p>5. “Sunset Clause”: The U.S. had demanded a sunset clause that would kill USMCA after five years unless the countries agreed to extend it.</p>	<p>5. The countries settled on a 16-year term for the deal, with a review to identify and fix problems and a chance of a deal extension after six years.</p>

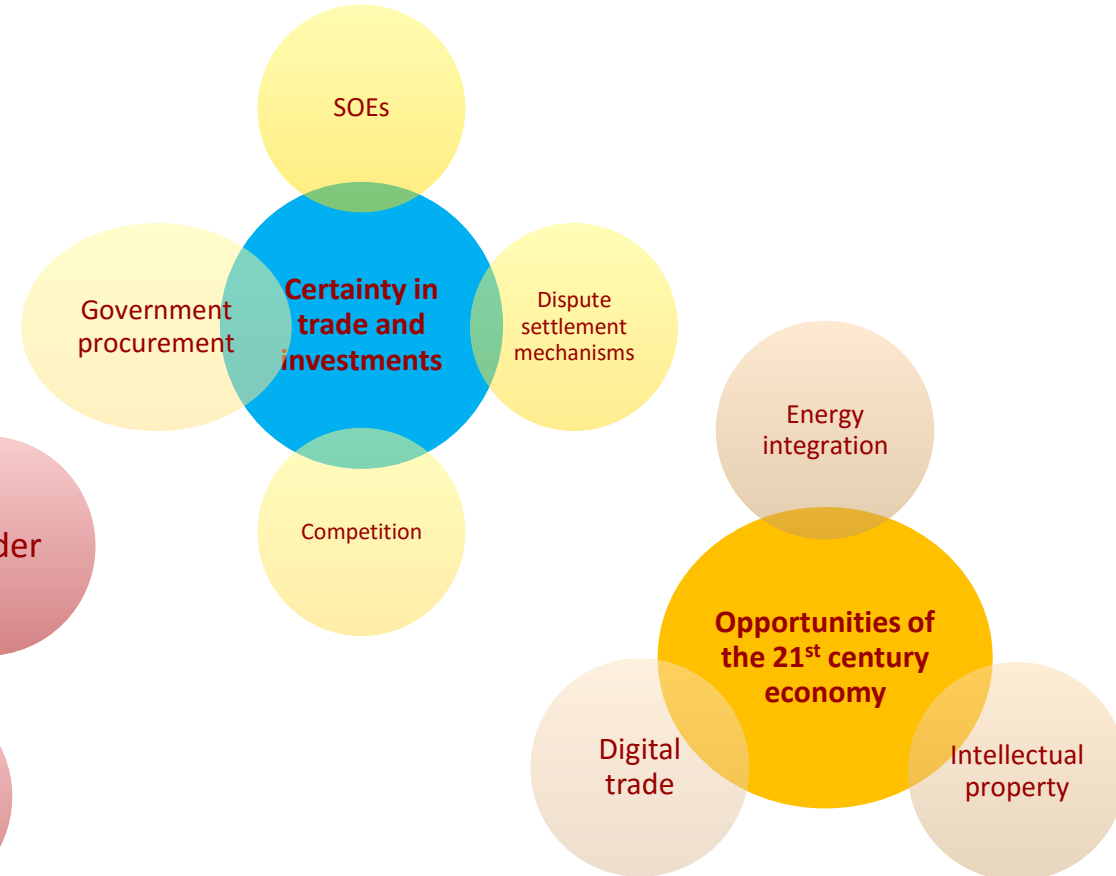
Main Achievements of the agreement



✓ Preserves the integration of North America

✓ Provides certainty

✓ Ensures duty free market access



Labor obligations are at the core of USMCA – and are fully enforceable



Respecting Worker Protections



- **Implements** internationally-recognized labor rights
- **Addresses** the violence workers face when exercising their labor rights
- **Protects** migrant workers
- **Prohibits** imports of goods produced with forced labor
- **Promotes** transparent implementation

University of Southern California

Mexico assumed specific commitments to ensure the representation of workers in collective bargaining

USC Marshall

School of Business
Global Supply Chain Management

University of Southern California

Environmental protections are at the core of the agreement – and are fully enforceable



- **Protecting** against ozone-depleting substances and ship pollution
- **Commitments** to combat illegal wildlife take and trade and marine litter
- **Promoting** air quality and the sustainable use of biodiversity and forest management
- **Transparency** in protecting the region's environment
- An **enhanced framework** for trilateral cooperation

Dispute settlement mechanisms protect businesses, consumers, labor, environment and investments



USMCA's dispute settlement mechanisms provide certainty and transparency to foster trade and investment across the region.

1. State - State



will continue to address **state-to-state disputes**

2. Trade Remedies



Preserves disciplines and mechanisms to address unfair **trade practices** (AD/CVD) and safeguards

3. Investor - State



Provides **investment protections**, with a focused investor-state disputes settlement mechanism

An agreement for the 21st century



USMCA strengthens North America to successfully compete in the global economy

COMPETITIVE *for North America*

MODERNIZED *for the 21st century*

RESPONSIBLE *for enforcing agreements*

CERTAINTY *for the future of free trade*





Thank you!

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