



# United States-Mexico-Canada Agreement

---

## (USMCA)

Undersecretariat for North  
American Affairs



**RELACIONES EXTERIORES**

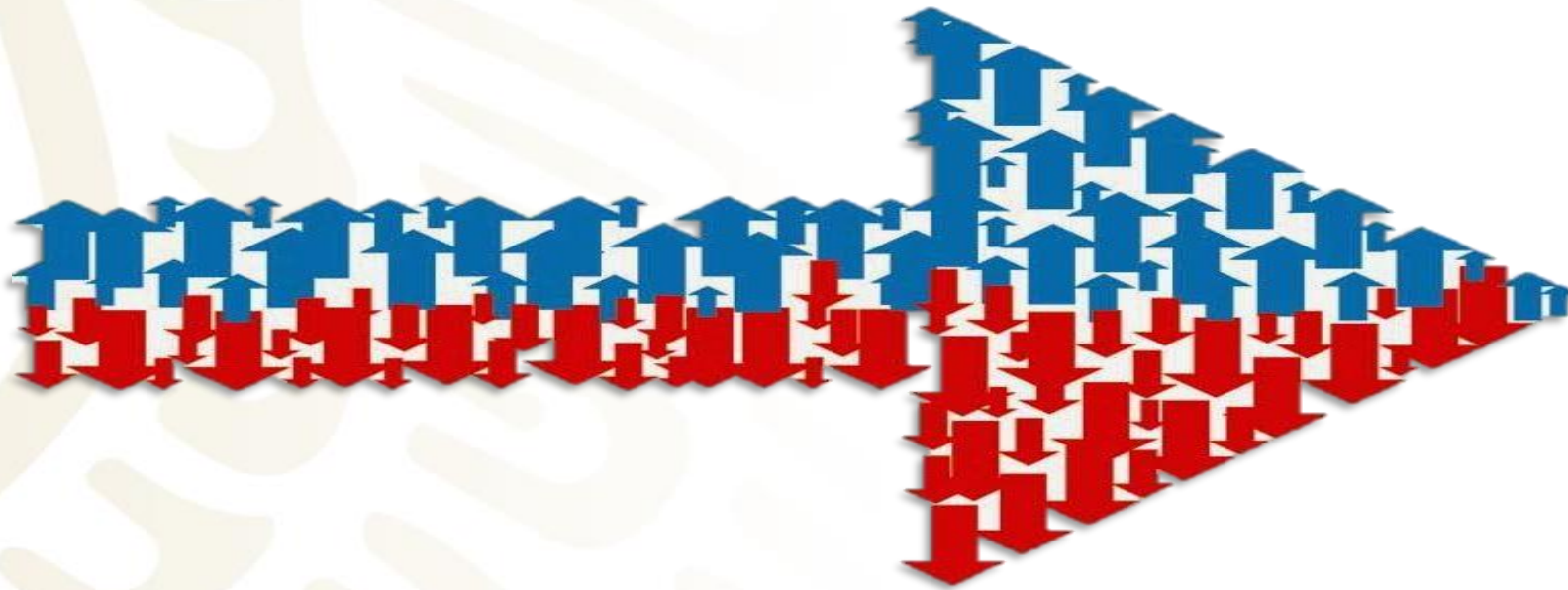
SECRETARÍA DE RELACIONES EXTERIORES



---

---

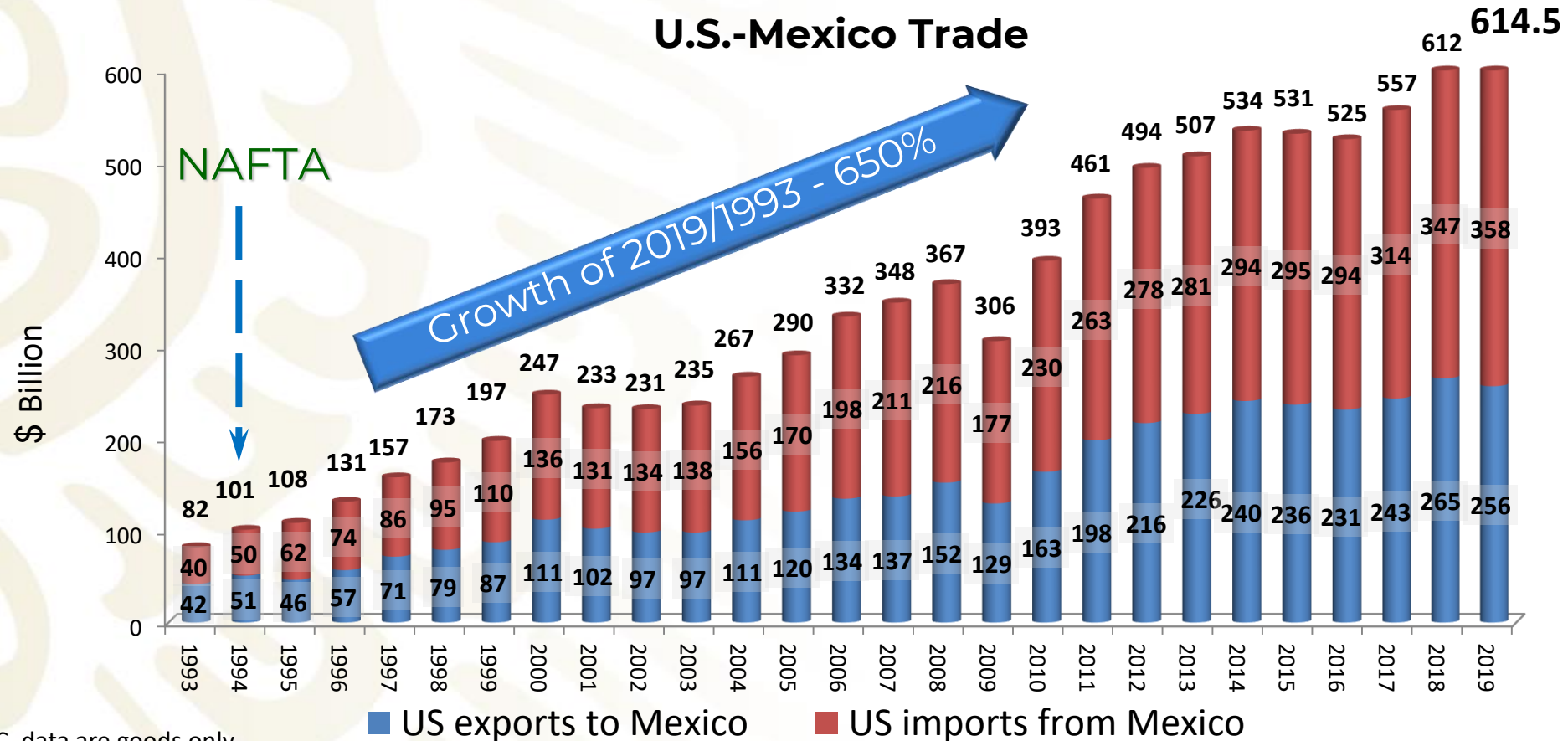
# FROM NAFTA



# TO USMCA

# U.S.-Mexico trade hit an all-time high

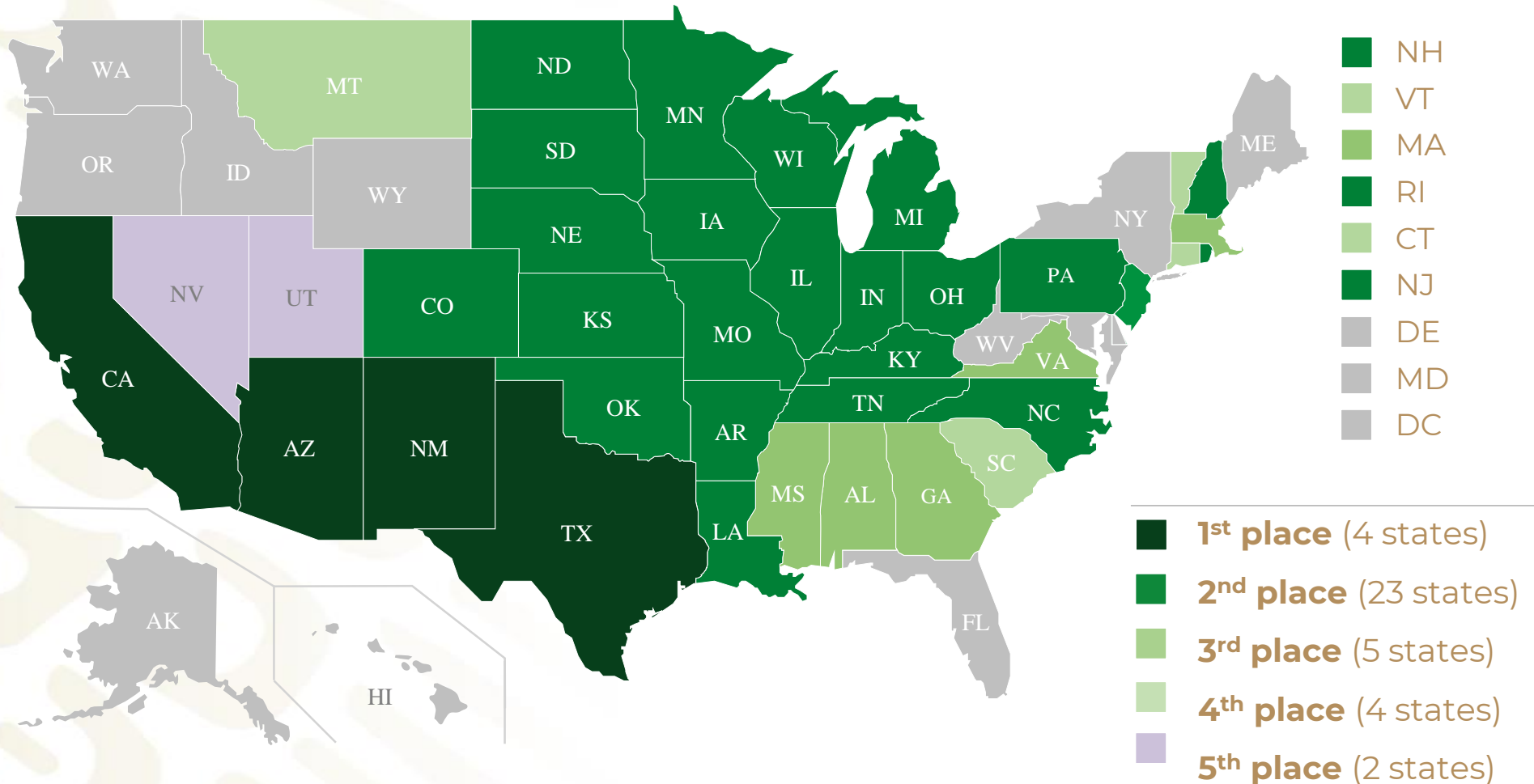
- ✓ Bilateral trade is nearly seven-times bigger than before NAFTA.
- ✓ During 2019, Mexico became U.S.' principal trading partner.
- ✓ \$1.5 billion dollars in products are bilaterally traded every single day.



# Mexico is an important export destination for each US state

Mexico's share in US exports  
by State, 2017

Mexico is among the 3 main export markets of 32 states of the United States.







## **From NAFTA to USMCA**

**NAFTA: a baseline for other trade agreements.**

**Mexico, a major player in the international trade system and an attractive destination for Foreign Direct Investment (FDI).**

**25 years of NAFTA → Facing a new and complex global context: Renegotiation.**

**USMCA: Positive Balance → 34 chapters that provide certainty to trade and investment.**

**USMCA: an innovative treaty with a social perspective.**

**Two key moments in the negotiation: USMCA and the Protocol of Amendment.**



# USMCA responds to the economy of the 21st Century



It modernizes NAFTA disciplines, adapting them to the 21st century economy's needs.



It ensures certainty in trade and investment.



It strengthens North American competitiveness.



Inclusive and responsible regional trade.



## Results of the negotiation

### Energy

- Mexico gives each member the best conditions of access and operation than those granted in other international treaties (e.g. Canada in CPTPP).
- Changes to the energy chapter through an equitability clause, strengthening the energy sufficiency of the region.

### Rules of Origin

- Regional content in autos increased from 62.5% to 75%. Labor content 40-45% → 16 USD.
- Stronger for automobiles, auto parts, chemicals and steel, glass and fiber optic products.
- Imports of components are more difficult; in exchange, investment is promoted.

### Dispute Settlement

- NAFTA unveiled deficiencies and ambiguities.
- Amended and improved.
- Reinforcement of dispute settlement important for agricultural sector.

### Integration of the economies

- The most innovative aspect is that it recognizes that the three economies are bound to limit themselves to trade issues.
- Areas of domestic domain are thoroughly addressed.
- The interaction among the economies of the producers is essential.

**Sunset Clause:** Review of consequences 16 years after USMCA enters into force





## Results of the negotiation

Energy



Sovereignty

Rules of  
Origin



Sunset  
Clause



Investment  
Trade

Dispute  
Settlement  
Resolution



Chapters:

- XI
- XIX
- XX

Integration  
of  
Economies





# New Generation Disciplines



- It seeks to guarantee fundamental labor rights from the ILO.



## Anticorruption

- Fights corruption acts/practices that affect trade or investment.

## Labor



## SMEs

- Mechanisms that allow them to gain scale in purchases, trading, and financing.

## Environment



- Provisions for air quality, forest protection and marine debris.

## Agriculture

- The seasonality clause was excluded for Mexican fruits and vegetables.



## 2019 Negotiation: Main issues

### Labor

Rapid response mechanisms for labor democracy.

### Environment

The existent commitments in the Agreement on Environmental Cooperation were reaffirmed and **NADBANK was recapitalized and its financing increased.**

### Intellectual Property

The patent protection period was removed from the USMCA-> excellent for generics.

### Enforcement

15 year-old deficiencies were corrected in the Dispute Settlement Mechanism.





## 2019 USMCA: Protocol of Amendments

Cornerstone of a FTA:

- An **effective Dispute Settlement Mechanism**, without it all turns into a **power relationship -> Creates equal conditions.**
- It was **corrected not only for labor, but for all sectors.**
- Panels may be used **for the benefit of Mexico** for solving faults in **cases like sugar, tuna, and avocado.**
- Panels: **each country chooses 2 panelists from the list of the other. The 5th and president, by common agreement** (or by lot, a country chooses a non-national).
- This is Dispute Resolution **based on law.** Of outmost importance for Mexico and Canada.





## 2019 USMCA: Protocol of Amendments

### Rapid Response Labor Mechanism

- Correct response to the idea of foreign inspectors.
- Mexico maintained its sovereignty by **preventing labor inspectors, creating a Mechanism to strengthen the Labor Reform** and guarantee the full rights of workers.
- If the creation of a panel is reached, the penalty if there is a fault is a normal or punitive tariff. After a second fault: same.
- Only **after three faults** in the same company, can the penalty reach a suspension in all the exports from that company.
- **Any penalty is immediately eliminated when the fault is resolved.**



# Labor Panels and Protection for Mexicans under the USMCA

**Objective:** to use the USMCA mechanisms to strengthen the protection of migrant workers and free trade.

## **USMCA Mechanisms:**

1. Facility-Specific Rapid Response Labor Mechanism: will apply whenever a Party believes in good faith that workers in a Covered Facility have been denied the right to **free association and collective bargaining**.
2. Chapter 31 Dispute Settlement: Panels may be established for disputes regarding **other labor misconduct** such as **forced labor, violence against workers, and discrimination**.



## LABOR DECALOGUE

1

Establish labor rights advocacy offices to provide advice and strengthen the assistance of Mexican workers in the United States.

2

Enable the Center for Information and Assistance to Mexicans (CIAM) to receive complaints on labor issues in the United States and Canada. The "MiConsulmex" application will also be used for this task.

3

Refer complaints received by the consular network to lawyers and organizations specialized in labor issues and, if necessary, establish USMCA panels.

4

Expand consular visits to key workplaces, with particular emphasis on those that have shown patterns of workplace abuse in the United States and Canada.

5

Conduct information sessions for workers with H2-A and PTAT visas so that they know their rights before, during and upon return from the United States and Canada.

6

Expand collaboration with trade unions and non-government organizations to identify labor violations.

7

Strengthen work with government offices that protect workers' rights such as the Department of Labor (DOL) and its specialized agencies (EEOC, WHD, OSHA and NLRB).

8

Intensify collaboration with chambers of commerce and trade associations to recognize responsible employers and replicate their good practices.

9

Periodically evaluate the situation of Mexican workers with the participation of labor and human rights specialists, including the 8 Civil Rights Advisory Groups.

10

Conduct a permanent campaign on labor rights in the United States.

# ¡Thank you!



GOBIERNO DE  
MÉXICO

