

Vote Likely on the New NAFTA

DECEMBER 11, 2019

The United States may strike a deal as early as year-end with Canada and Mexico on the revisions to the 1993 North American Free Trade Agreement (“NAFTA”), referred to as the United States-Mexico-Canada Agreement (“USMCA”) or, as some call, the “new NAFTA.” In an interview December 10, Secretary of Commerce Wilbur Ross says we are “within inches, maybe millimeters of a USMCA deal.”

Some of the major changes between NAFTA and the USMCA relate to the automobile and steel industries. In that regard, it is anticipated that the text of the new deal will require 75 percent of all automobile components to be manufactured in the United States, Canada or Mexico in order to qualify for duty-free treatment. This is up from 62.5 percent, which is currently required under NAFTA. The language may also go so far as to requiring that 70 percent of the metal used to manufacture automobiles be melted and poured within the territory of the agreement. While such changes are intended to increase domestic manufacturing, they will also heighten compliance burdens already faced by the automobile industry.

The new NAFTA is also anticipated to capture new or revised provisions concerning digital trade, financial services and other areas that were not major factors when NAFTA was implemented years ago. According to Secretary Ross and based on statements by Congressional Democrats the morning of December 10, final adjustments are being made to provisions relating to labor enforcement, digital commerce, and the number of years of agreement for pharmaceutical intellectual property protection.

A vote on the text of the new deal will likely occur prior to the end of the legislative session, which is December 20, 2019.

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