

NAFTA update

NAFTA successor agreement signed by the three member countries

November 30, 2018

On Friday, November 30, 2018, the North American Free Trade Agreement's (NAFTA) revamped successor agreement, the United States–Mexico–Canada Agreement (USMCA), was signed by the leaders of the three member countries on the sidelines of the G20 summit in Buenos Aires, Argentina. Each of the national legislatures must still ratify the agreement.

In the United States and Mexico, recent national elections will potentially impact the ratification process. Mexico inaugurates a new President on December 1. In the United States, the majority party in the House of Representatives will change in January of 2019. Many in the new majority, and some in the existing majority, have raised concerns about the USMCA on issues ranging from environmental and labor standards enforcement to sexual orientation and gender identity language. Congressional ratification of the USMCA may require the Trump Administration to engage in additional negotiations with Canada and Mexico, which could complicate ratification and implementation timetables. In addition, within 105 days of the USMCA being signed, the U.S. International Trade Commission (ITC) must complete a USMCA economic impact study for presentation to both the U.S. President and Congress; Congress could well wait until the ITC report is issued before voting on the agreement.

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The unclear timetable surrounding the USMCA adds to the uncertainty companies are facing in the overall global trade landscape, as there is not a clear sense of whether or when the Trump Administration's tariffs on China—along with global tariffs on steel and aluminum—may be lifted. In preparing for the USMCA, companies in various industries are assessing the potential impact of the agreement on their bottom lines, including reviews of the new USMCA rules of origin, validation of product classifications and costing data, understanding the impact of new "de minimis" thresholds on USMCA cross-border transactions, and reassessing the overall structure of North American supply chains. While implementation of the USMCA may not occur until 2020, many companies are using this interim time period to undertake these internal reviews, as the lead times for some changes may be extensive.

Click [here](#) to access the replay of the recent October 16 webcast on ***Understanding the Trade Implications of the USMCA Agreement.***

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