

U.S.-Mexico-Canada Agreement

New Pact Replaces NAFTA to Create 'Freer,' 'Fairer' Economic Growth

- Trade with Mexico and Canada supports nearly 14 million U.S. jobs.
- Since NAFTA entered into force, trade with Canada and Mexico has nearly quadrupled to \$1.3 trillion.
- NAFTA helped U.S. agriculture exports to Canada and Mexico to increase by 350%.
- Canada and Mexico buy more than one-third of U.S. merchandise exports.

BACKGROUND

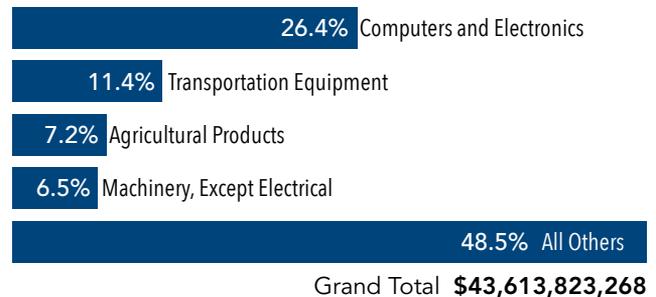
The California Chamber of Commerce actively supported the creation of the North American Free Trade Agreement (NAFTA) among the United States, Canada and Mexico, comprising 489.5 million people with combined annual trade with the United States being around \$1.139 trillion in 2017. In 2017, goods exports topped \$525.46 billion while goods imports totaled nearly \$614.02 billion.

President Donald J. Trump announced his intent to renegotiate NAFTA in May 2017. The negotiations started shortly thereafter, going through many rounds. In August 2018, the U.S. and Mexico reached a preliminary agreement, while the U.S. continued separate negotiations with Canada. In October, Canada and the U.S. came to an agreement right before a self-imposed deadline, reassuring the deal would remain trilateral. The pact was rebranded the United States-Mexico-Canada Agreement (USMCA).

2018 UPDATES TO THE AGREEMENT

The USMCA deal improves access to Canada's dairy market for U.S. farmers, giving U.S. exporters an estimated additional 3.59% market share. It also provides for stronger intellectual property provisions, and tighter rules of origin for auto production according to the Trump administration.

TOTAL MERCHANDISE EXPORTS FROM CALIFORNIA TO NAFTA



Source: U.S. Department of Commerce, International Trade Administration

The Chapter 19 dispute-settlement mechanism remains untouched, as Canada fought for, although the investor-state dispute settlement will be phased out for Canada and restricted to four areas for Mexico.

Canada also agreed to raise the threshold for applying duties to cross-border purchases, which was a key demand from the United States. The new de minimis level will be C\$150 (\$117 USD) for customs duties, up from C\$20 (\$15 USD).

Steel and aluminum tariffs imposed earlier in 2018 will remain in effect and are being dealt with separately. However, an agreement in the new pact increases by 800,000 the number of passenger vehicles that come across the border from Canada without being subject to a likely 25% duty.

BENEFITS AND GOALS

CalChamber support for the USMCA is based on an assessment that it serves the employment, trading and environmental interests of California, the United States, Mexico and Canada, and is beneficial to the business community and society as a whole.

The objectives of the USMCA are to eliminate barriers to trade, promote conditions of fair competition, increase investment opportunities, provide adequate protection of intellectual property rights, establish effective procedures for implementing and applying the agreements and resolving disputes, and to further trilateral, regional and multilateral cooperation.

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ANTICIPATED ACTION

The CalChamber is hopeful that Congress will approve the new USMCA agreement, following the objectives and procedures of the Trade Promotion Authority.

The recently agreed upon U.S.-Mexico deal was written to last for 16 years, but would allow the countries involved to revise or modernize aspects of the deal every six years. The trilateral deal under the new USMCA would be the same.

Originally, the CalChamber has opposed the proposed five-year sunset clause, as a forced re-examination of the pact on such a short time frame would cause uncertainty for all parties.

The USMCA was signed in Buenos Aires at the G-20 Summit on November 30, 2018. The treaty must now be ratified/ approved by all three nations. It is hoped the U.S. Congress will approve the USMCA in early 2019. However, President Trump cautioned that he may pull the United States out of NAFTA within six months after the new pact was signed order to push the new USMCA legislation toward action in Congress.

CALCHAMBER POSITION

The CalChamber understands that the original NAFTA was negotiated more than 25 years ago, and, while our economy and businesses have changed considerably over that period, NAFTA has not. We agree with the premise that the United States should

seek to support higher-paying jobs in the United States and to grow the U.S. economy by improving U.S. opportunities under the new USMCA.

The provisions of NAFTA with Mexico and Canada have been beneficial for U.S. industries, agricultural enterprises, farmers, ranchers, energy companies and automakers.

The CalChamber originally actively supported the creation of NAFTA among the United States, Canada and Mexico.

The CalChamber's longstanding support for NAFTA is based upon an assessment that it serves the employment, trading and environmental interests of California and the United States, as well as Canada and Mexico, and is beneficial to the business community and society as a whole. Since 1993, trade among the three NAFTA countries has nearly quadrupled.

Mexico and Canada are California's largest and second largest export markets. A final approval of the new USCMA will benefit the California economy and jobs.



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