



# News

American Industries®

*June 2020*



**American Industries®**

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# **AGREEMENT BETWEEN MEXICO, THE UNITED STATES AND CANADA**

*Having been in effect for 25 years, the North American Free Trade Agreement, now known as the United States-Mexico-Canada Agreement or USMCA, in Mexico as T-MEC, and in Canada as CUSMA, underwent significant modernization in order to adapt to the needs of current international business dynamics.*

*Although the implementation of NAFTA in 1994 resulted in significant growth in the economies of the countries in the region, for Mexico it set off a boom in foreign investment and exponential growth in several industries, including the automotive, food, and electronics sectors, among others.*

*The USMCA will remain in effect for 16 years and will be subject to a review every 6 years. Upon the conclusion of its term it may be renewed for an additional 16 years, which guarantees a positive and certain future for all sectors involved.*

*Starting on July 1 of this year, the updated NAFTA agreement, now referred to as USMCA, will enter into effect, making it important to understand and consider key elements that will create a new trade dynamic in the region.*



# *AUTOMOTIVE* sector

*Some of the most significant modifications to the trade agreement include those related to rules of origin for the automotive sector.*

*Among these are:*

- Increase in regional value content (RVC) from 62.5% to 75%.
- Increase in labor value content (LVC) to 40% with employees earning a salary of at least US\$16/hour.
- Importers must certify that at least 70% of vehicle producers' steel and aluminum originate in North America.
- Core auto parts must have a minimum regional value content of 75% in order to be considered as originating. Principal auto parts must have 70%, and complementary 65%.

*The seven main parts, referred to as "super core" (axles, chassis, engine, steering system, suspension system, transmission, advanced batteries) must be 100% originating in order for the vehicle to qualify as such.*

*This represents a challenge for Mexico in that businesses will have to, in phases and by the deadlines set, adapt their productive processes based on an analysis of supply chains and the reengineering of products and productive processes, among others.*

*Though this adaptability will require significant effort from all the members of the supply chain, this should be viewed as an opportunity to strengthen and develop the national industry with the goal of becoming more competitive and self-sufficient, allowing Mexico to have a more independent economy.*

*There are also various other sectors with significant changes as well, including televisions and projectors, chemicals, textiles, high-steel content products, among others, which will also be required to adapt to the new rules to a greater or lesser extent.*





# *CERTIFICATE* of origin

*On the other hand, the USMCA eliminates the requirement for a formal Certificate of Origin, and allows the certification to be achieved using any document containing the essential information proving compliance with rules of origin, including the information of the importer, exporter and producer, origin criteria, description and tariff code, expiration date and certifier's information.*

*In addition, the figure of importer is now considered as a party that is authorized to issue a certificate of origin, which was not the case when issuing certificates of origin under NAFTA.*

*For the United States, when a preferential tariff is applied subsequent to the import of the merchandise, the importer may only receive a refund of the tariff paid, but not the Merchandise Processing Fee (MPF), which is known as the "Derecho de Trámite Aduanero" (DTA) in Mexico.*

*It is important to emphasize the importance of having the supporting documentation to prove the origin of the merchandise subject to import or export, whether this is through analyses carried out, the producer's declarations, or any other documentation that aids in this goal.*

*This is because these changes are accompanied by increased oversight including verifications of origin, questionnaires, or visits that allow for verification of compliance with the certificates of origin issued; this, as outlined in the trade facilitation agreement (FTA) aimed at facilitating cooperation in the region regarding compliance with the body of law.*

# *DIGITAL* trade

*One of the highlights of the USMCA is the importance placed on digital trade, which has played a fundamental role in the region's economic growth; this, in addition to its role as an inherent part of global trade today.*

*In this sense, it is aimed at providing a legal framework that adapts to the nature of digital trade and outlines clear rules for participants carrying out these activities.*

*The certainty and guidelines provided by including digital trade in USMCA increases confidence of both importers and exporters in implementing economic scenarios that allow for a technological evolution in the productive and services activities they provide.*



# **NEW** opportunities

*The USMCA was the result of countless discussion panels between the countries in the region, as well as extensive negotiations and the collaboration and teamwork of the federal government and various industry sectors, all with a shared goal: developing a new legal framework to allow for the establishment of a healthy trade dynamic based on mutually agreed upon guidelines that facilitate and benefit the exchange of goods in the region, and which adapts to the current needs on a global level.*

*This agreement between Mexico, the United States and Canada ends a period of uncertainty and sets new rules to play by where participants will have to focus on making the adjustments and adaptations necessary to achieve trade objectives.*

*A process of adaptation will begin, in which the following concepts will be key: growth opportunity, readjusting processes, integration of technology in the value chain, investor certainty, increase in regional value content, development of national suppliers, among others. **American Industries®** views these changes not as barriers or obstacles, but at challenges, which with commitment and hard work, will bear the fruit of progress.*

*During the 25 years since NAFTA went into effect, **American Industries®**, working together with its foreign trade department, has continued to improve the services and expertise we offer our clients. Today, we continue to work with this same commitment to growth and competitiveness, providing added value to our clients' operations with the shared goal of ensuring their success in Mexico.*



**American Industries®**

*Our Customs and Duties Committee provides ongoing continuing education for our team to ensure that we are maximizing your duties savings and avoiding tariffs according to the current regulations and the new USMCA.*



**Mariana Rodríguez**  
Guadalajara

**Mayra Salazar**  
Guanajuato

**Claudia Rivera**  
Chihuahua

**Claudia Reyna**  
Monterrey

**Diana Coronado**  
Querétaro



# Mexico COVID-19 STATS

Mexico has adopted an **epidemiological traffic light system** to facilitate the transition towards a new normal. Each state's status will be updated each week, which will in turn dictate the activities allowed according to this in order to comply with indications from local and federal health authorities.

Our companies have adopted protocols to protect their employees based on technical guidelines for health safety, including filters to detect symptoms of COVID-19, distance learning training platforms, and mechanisms to detect COVID-19 antibodies through various laboratory tests.



**CONFIRMED  
CASES**

**196,847**

**NEGATIVE  
CASES**

**256,336**

**SUSPICIOUS  
CASES**

**62,475**

**DECEASED  
CASES**

**24,324**

**MEN / WOMEN**



54,92%



45,08%



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