

## United States-Mexico-Canada Agreement (USMCA)

### A Guide to Changes You Need to Know

Prepared by: Beatriz Ramirez, Free Trade Agreement Specialist, Illinois SBDC International Trade Center, Bradley University.

The new United States-Mexico-Canada Agreement takes effect on July 1, 2020. There are not significant changes in the USMCA. However, for some producers and exporters, it is recommended that you review the specific Rule of Origin cited in Chapters 4 or 6. These rules appear to be more flexible in general, but for **agriculture**, some restrictions may apply. It appears that for manufacturers of **vehicles** there are more constraints. Some of these constraints for the automotive sector are: 1) the need of justification concerning Labor Value Content (LVC), and; 2) the purchasing of the steel and aluminum used has to meet the Steel and Aluminum requirements of the automotive appendix.

Moreover, one of the most important changes is the NAFTA Certificate of Origin form will no longer be used, or required to be included with the shipping documents. Under the USMCA, there is flexibility documenting how goods qualify under the USMCA. There is no specific format to the certificate, which can be produced by the exporter, producer or importer. As detailed below, the importer now has the ability to generate the USMCA certificate in the new agreement, but there are some **restrictions** when completing this certificate so **careful attention** is recommended. The end of using the very specific NAFTA Certificate of Origin has been referred to as a 'free form' under USMCA. This means the 'certificate' is now information that can be documented in any format.

#### USMCA/CUSMA/TMEC and the “Free Form” as Certificate of Origin:

There are nine essential elements that must be included in the USMCA free form. A few of them are as follows:

1. Who is certifying (The certifier must be signed by someone who understands the production of the product and has access to records.)
2. Complete information about the importer, exporter, or producer.
3. What is the Rule of Origin according to the new Chapter 4 or 6.
4. The criteria in “A”, “B” or “C” remains the same. However, there is more flexibility to achieve criteria “D”.
5. Harmonized codes with 6 digits or tariff codes for **each** Party with 8 digits **must** include an adequate description.
6. Most importantly, the following statement must be included on the free form certification or in the commercial invoice when the shipment is sold with the minimum value criteria: “I CERTIFY that the goods described in this document qualify as originating and the information is true and accurate. I assume responsibility for proving such representations and agree to maintain and present upon request or to make available during a verification visit, documentation necessary to support this certification.”

In Canada, this agreement has been named the “**CUSMA**”. Canadian Customs has issued a recommended example of how they would like to have the nine essential elements listed on the free form. This becomes more important when the buyer/importer is claiming preferential status at the time of entry.

**Other Important changes:**

- a) Removal of milk classifications 6 and 7 for Canada, opening opportunities for more U.S. dairy producers to sell this product to Canadian buyers at more competitive pricing.
- b) Poultry farmers can now export more quantities.
- c) The manufacturing of a vehicle must have at least 75% of their components manufactured in the United States.
- d) The labor that is involved in producing a vehicle must be getting paid at least \$16/hour.
- e) An increase in the “de minimis” amount of 10%, with some exceptions. (For example, for *some* textiles, the de minimis continues be 7%).
- f) Protection of copyrights on intellectual property was increased to 70 years (from 50 years) beyond the life of the author.
- g) Digital merchandise has an expansion of intellectual property and no duties are paid on those articles (music and e-books)
- h) New minimum values were established for personal and commercial shipments.
- h) The USMCA will expire in 16 years (2036), however; revisions by the three parties must occur every 6 years.

For questions, please contact Beatriz Ramirez at [bramirez@bradley.edu](mailto:bramirez@bradley.edu) for more information.