



# FedEx Regulatory Alerts & Updates

## Regulatory Alert: Introducing the United States-Mexico-Canada Agreement

May 14, 2020

### BACKGROUND

Canada, Mexico and the United States reached an agreement for the renegotiation of the North American Free Trade Agreement (NAFTA) on November 30, 2018. The renegotiated agreement goes by several names depending on the region discussing it, including the Canada-United States-Mexico Agreement (CUSMA), the Tratado entre México, Estados Unidos y Canadá (T-MEC), and the U.S.-Mexico-Canada Agreement (USMCA).

On April 24, 2020, the U.S. became the final country to issue a notification that it was ready for the implementation of the USMCA. Since all three countries have now properly notified one another of their preparedness to implement the USMCA, the official date in force will be July 1, 2020.

### What are the key changes in the USMCA that differentiate it from NAFTA?

a) The USMCA does NOT require a specific certificate of origin document like NAFTA does.

A claim for preferential treatment under the USMCA requires that nine minimum data elements be provided on an invoice or other document. The data elements are:

1. Indicate the certifier (importer, exporter or producer)
2. Certifier info: name, address (including country) and contact information
3. Exporter info: name, address and contact information (if different from the certifier)
4. Producer info: name, address and contact information of the producer (if different from the certifier or exporter)
5. Importer info: name, address and contact information
6. Description and HS tariff classification (6-digit level) for the goods (include invoice # if known)
7. Origin criterion for the goods
8. Blanket period (date range up to one year)
9. Authorized signature and date

Note: The information provided must describe the originating goods with sufficient detail to enable their identification and meet the requirements as set out in the uniform regulations.

The claim must also be accompanied by the following statement, signed and dated by the certifier:

"I certify that the goods described in this document qualify as originating and the information contained in this document 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."

- b) There are new de minimis value thresholds for shipments into CA and MX.

The new MX de minimis threshold is \$117USD for duty and \$50USD for taxes.

The new CA de minimis threshold is \$150CAD for duty and \$40CAD for taxes, only for shipments exported directly from the U.S. or MX (for CA only).

Note: The U.S. threshold remains at \$800USD.

- c) There are advanced auto industry requirements regarding components and labor rate.

The USMCA promotes regional economic growth by requiring that 75% of auto content and components be manufactured in one of the USMCA countries to attain a zero-tariff rate. Additionally, there is a requirement that between 40-45% of auto content be made by workers earning at least \$16 per hour.

- d) There is new market access for certain U.S. dairy products into Canada.

Under USMCA, Canada has increased market access for certain U.S. dairy products like milk and cheese. New Tariff Rate Quotas, which will be phased in over a period of years, will allow more dairy imported to Canada at a lower within access duty rate.

Note: For complete details of the agreement, refer to the U.S. Trade Representative (USTR) link in the reference section below.

## Q & A

### **Q1: How long will the current NAFTA rules remain in place?**

A1: NAFTA rules will remain in effect until the USMCA enters into force on July 1, 2020. It is important to note that shipments picked up in the U.S., CA, or MX PRIOR to July 1, 2020 but arriving in MX, CA, or U.S. on July 1, 2020 will qualify for USMCA. Since NAFTA ends on June 30, 2020, customers will need to be aware of the hard transition over to USMCA on July 1, 2020.

### **Q2: Is there a certification of origin exemption for low value shipments?**

A2: Yes. Article 5.5 of the agreement provides that there is no certification of origin requirement for shipments valued below \$1,000 USD, or its equivalent (in currency), or higher value, as established by the importing USMCA country. However, a written statement certifying that the good qualifies as originating will be required.

### **Q3: Will there be “informed compliance” for the first few months of the USMCA?**

A3: There has been discussion on this issue. The customs authority from each country will need to come to a decision whether this will be done. If so, it is logical to expect all three countries to abide by the same time period of “informed compliance” (e.g., 3 to 6 months).

### **Q4: When will customs authorities in the three countries finalize their implementing regulations?**

A4: This should be done before the July 1, 2020 date in force.

Please note that all three countries will be individually publishing a separate USMCA RegAlert prior to July 1, 2020, to review the additional country-specific clearance details for imported goods that qualify for USMCA benefits. It is expected most countries will have their final implementing regulations published by early June.

### **Q5: Is there a USMCA site on fedex.com for FedEx customers to use as a resource?**

A5: The following sites will provide links to the FedEx resources for these countries:

- U.S.: [fedex.com/en-us/trade.html](https://fedex.com/en-us/trade.html)
- Canada: [fedex.com/en-ca/shipping-sersvices/international/regulatory/cusma.html](https://fedex.com/en-ca/shipping-sersvices/international/regulatory/cusma.html)

**REFERENCES:**

USMCA text –

<https://ustr.gov/trade-agreements/free-trade-agreements/united-states-mexico-canada-agreement/agreement-between>

MX Customs Interim Implementing Regulations (Spanish) –

<https://www.gob.mx/t-mec/acciones-y-programas/textos-finales-del-tratado-entre-mexico-estados-unidos-y-canada-t-mec-202730>

CA CBSA CUSMA landing page –

<https://www.cbsa-asfc.gc.ca/services/cusma-aceum/menu-eng.html>

U.S. CBP USMCA landing page –

<https://www.cbp.gov/trade/priority-issues/trade-agreements/free-trade-agreements/USMCA>