

USMCA Goes into Effect July 1 – What Changes Are in Store for Colorado Manufacturers? By Karen Gerwitz, WTC Denver



The United States-Mexico-Canada Agreement (USMCA), as dubbed by the United States; the Canada-United States – Mexico Agreement (CUSMA) known in Canada; and the México, Estados Unidos y Canadá (T-MEC) in Mexico; replaces the universally known NAFTA or North American Free Trade Agreement on July 1, 2020. The new agreement modernizes NAFTA and addresses some key issues facing Colorado manufacturers, such as: harmonization of regulatory systems, e-commerce, and protection of intellectual property.

Revised Certificate of Origin: The main changes are in the rule of origin procedures for the following industries: automobiles, IT and communications, pharmaceuticals, healthcare products, cosmetics and chemicals. The welcomed change is that companies no longer need to use the formal NAFTA certification document. An informal certificate of origin and commercial invoice, like most other countries, can now be used and can be produced by the exporter, importer, or producer. These documents, as with the previous NAFTA certificate, should be kept on file for five years.

De Minimis Threshold: Another key change is the De Minimis threshold for all three countries. This allows for low priced items to enter duty free for all North American countries. The new thresholds are: Canada - \$150 CAD for customs and \$40 CAD for taxes; Mexico - \$117 USD for customs and \$50 USD for taxes; and United States - \$800 USD.

Intellectual Property Enhancements: The intellectual property changes include: an extended copyright length from 50 years to 70 years following the author's death, and the patent lengths remained the same as NAFTA - five years in Mexico, 12 years in U.S. and eight years in Canada. The USMCA also includes all of the following protections against misappropriation of trade secrets, including by state-owned enterprises: civil procedures and remedies, criminal procedures and penalties, prohibitions against impeding licensing of trade secrets, judicial procedures to prevent disclosure of trade secrets during the litigation process, and penalties for government officials for the unauthorized disclosure of trade secrets.

Section 232 Tariffs Allowed: Under USMCA, Section 232 tariffs are still allowed by the United States under the grounds of national security as were imposed in 2018, but a side letter was signed as part of the USMCA to provide Canada and Mexico with a consultation period of 60 days before Section 232 tariffs could be applied on Canadian or Mexican goods.

Sunset Clause: Probably the most notable change that most won't even notice is a new Sunset Clause that will remain in effect for a period of 16 years, at which time the parties can choose to revisit and/or renegotiate those terms, or withdraw from the agreement altogether. Also, after six years, the term of

USMCA's sunset (16 years) can be revisited and potentially extended if the parties feel doing so would be beneficial.

We can only hope, however, that the threat of pulling out of this most important Free Trade Agreement will never cross our minds again as a nation nor as a trading bloc. While NAFTA has undoubtedly shifted jobs in various industries, it has significantly increased jobs overall, and there have been more benefits than harm. Today our supply chains are more connected than ever, and unwinding them does not make economic sense, since we make so many finished goods together.

If concerned about any of these changes or need further advice on documentation or on how the USMCA might impact your business, please feel free to reach out to the World Trade Center Denver for direct support. Reach out to our Help Desk at 1.833.ASK.WTCD or email askWTCD@wtcdenver.org.