

October 1, 2018

United States-Mexico-Canada Agreement (USMCA) Finalized

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BY [MARK SARVER](#)

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On August 27, the existing North American Free Trade Agreement (NAFTA) was replaced with a new tentative accord between the United States and Mexico. The original NAFTA had been instituted to remove trade barriers and most tariffs between the United States, Mexico and Canada, but it was not until September 30 that all three nations came to an agreement that pulled Canada into the mix.

Now known as the United States-Mexico-Canada Agreement (USMCA), the pact looks to yield positive results in manufacturing sectors within each of the respective countries. Starting in 2020, it will require that 75% of a car's parts will have to come from one of these three countries to qualify for duty-free treatment, an increase from the previous 62.5% requirement. Also starting in 2020, it will be required that at least 30% of vehicle manufacturing work be completed by workers earning at least \$16 per hour. That figure will gradually move to 40%, for cars, by 2023. The consensus is that these provisions will help bring manufacturing jobs back to the U.S.

Outside of manufacturing, the agreement also brings about changes for the U.S. dairy sector. Historically, the Canadian government has sought to restrict the amount of dairy produced within the country. With the USMCA, U.S. dairy farmers will be able to increase the amount of product sent to north of the border.

The three countries are expected to sign the agreement by December 1. USMCA will last for 16 years and will be subject to revision every six.

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PITTSBURGH

One PPG Place, Suite 1700
Pittsburgh, PA 15222

contacts@schneiderdowns.com

p:412.261.3644 f:412.261.4876



COLUMBUS

65 East State Street, Suite 2000
Columbus, OH 43215

contacts@schneiderdowns.com
p:614.621.4060 f:614.621.4062



WASHINGTON, D.C.

1660 International Drive, Suite 600
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