



Update on the United States Mexico Canada Agreement (USMCA)

The [Border Legislative Conference](#) (BLC) hosted its final binational legislative exchange of the year on December 11, 2020. Focus was given to the newly enacted United States Mexico Canada Agreement (USMCA), which went into effect on July 1, 2020 as an upgrade to the North American Free Trade Agreement (NAFTA). This virtual exchange explored the question: What can we expect next with the USMCA?

Panelists included:

- Dr. Christopher Sands, Canada Institute Director at The Woodrow Wilson International Center for Scholars
- Beverly Idsinga, Executive Director at Dairy Producers of New Mexico
- Fernando Alba, Director at Economic Development of the City of Juarez, Chihuahua

Through presentations and dialogue, there were several takeaways, including:

- The USMCA was a result of notable bipartisan support with the U.S. House voting 385 to 41 in favor of the agreement. In the U.S. Senate, the vote was 89 to 10 in favor of the agreement.
- With the economic disruptions and joint border restrictions imposed to mitigate the health impacts of the COVID-19 pandemic, the implementation of this new agreement coincides with an increasingly uncertain economic forecast for North America.
- Canada relies heavily on international trade, primarily exports for its Gross Domestic Product (GDP), with the U.S. leading as its largest single



market. Conveniently, the implementation of the USMCA played a vital role in securing market access to the U.S. during the current economic uncertainty.

- Approximately 17 percent of dairy products produced in the U.S. are exported to Canada and Mexico. In New Mexico, the agriculture and dairy industry fully supported the implementation of the USMCA. This will create new market access opportunities for U.S. exports to Canada of dairy, poultry, and eggs, and in return, the U.S. will provide new access to Canada for dairy, peanuts, processed peanut products, and limited sugar.
- The state of Chihuahua holds first place in the export market of Mexico, followed by Coahuila. It is also the fourth-largest recipient of Foreign Direct Investment (FDI) in the nation where the U.S. remains the largest investor, followed by Canada and Spain. Most export goods from Chihuahua are directed to the U.S.
- Though NAFTA has been officially replaced, governments and companies are still adjusting to the new rules. Panelists shared that some of the more pronounced changes were related to labor disputes and provisions.
- Investors from Canada and the United States will no longer have access to Investor State Dispute Settlement (ISDS) mechanisms ([Chapter 11](#)) which could make it more challenging to resolve disputes.
- In Mexico, the USMCA has been well received as it will improve the lives of domestic workers earning a minimum wage by increasing salaries and jobs in the region.
- Canada will eliminate milk price classes 6 and 7 to ensure that certain milk products be set no lower than a level based on the United States price.
- Additionally, the USMCA will remove Origin Certificates ([Chapter 5](#)) which will ease stockpiling paperwork for small businesses. The change that

- generated a larger volume in dialogue was related to environmental provisions.
- The USMCA includes explicit provisions related to the environment ([Chapter 24](#)), such as agreements to enforce environmental laws, regulations, and necessary measures. Violations of these laws are subject to trade penalties and governments can intervene with the economy to meet their international obligations on the environment. For example, governments can offer subsidies that will create alternative energy or conduct research that supports this new area, which would be exempt from trade action, provided it is transparent. To better align the outcomes of carbon taxation and other environmental measures, a committee will develop a common definition of sustainability to be used by all three countries so that everyone is working from the same set of standards.
 - Thinking ahead, Chihuahua has been investing in innovation related to training and education supporting science, technology, engineering, and mathematics (STEM) systems that have been shown to be essential in sustaining a competitive advantage in the region.
 - Follow through may prove to be an overall challenge with the USMCA as federal legislation often leaves the implementation process to be determined by agencies. Negotiators left a built-in agenda for decisions to be taken by committees, but those committees have not yet been filled.
 - The USMCA will have a mandatory review in 2026, providing governments an opportunity to amend the document. While the agreement does not explicitly mention climate change, according to Dr. Sands, 2026 will provide the necessary space to potentially address climate change in writing.



West

THE COUNCIL OF STATE GOVERNMENTS

BLC Chairman Assemblymember Jose Medina closed the session by emphasizing the important roles community leaders play in having bi-national dialogues to strengthen the bilateral and trilateral relationships.

Did you miss the binational discussion on the *Update on the USMCA*? An on-demand video of the session is available on the [CSG West website](#).