

USMCA: Challenges and Opportunities

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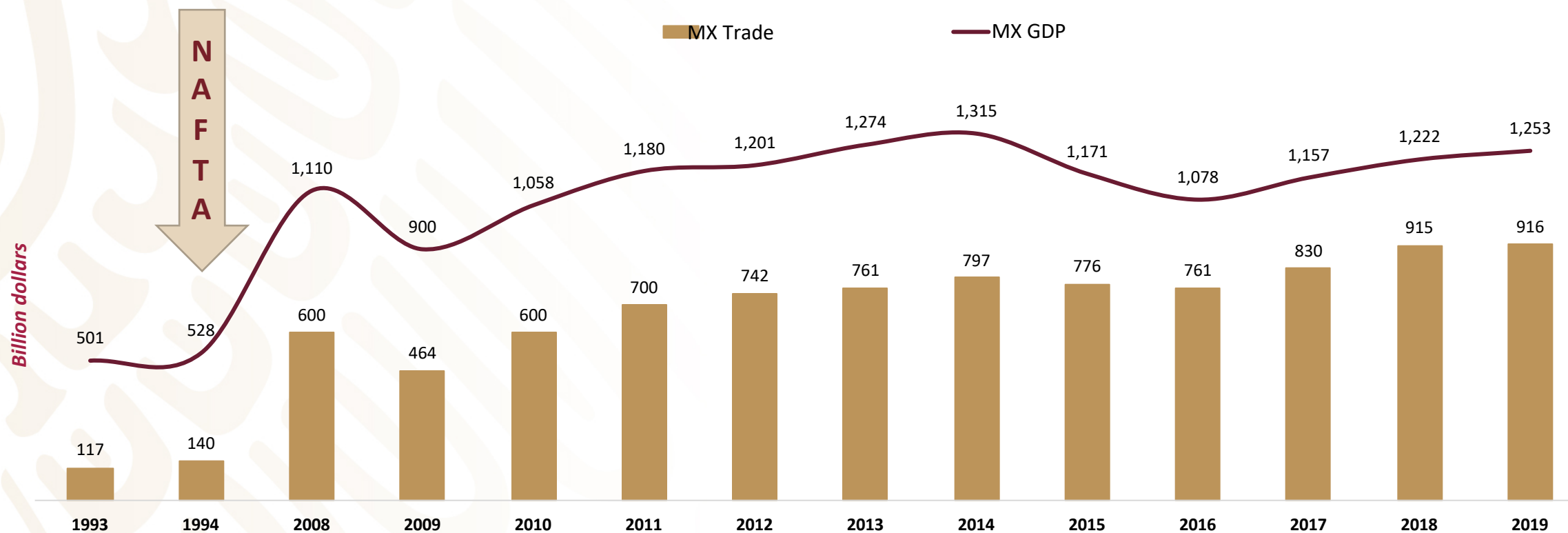


ECONOMÍA
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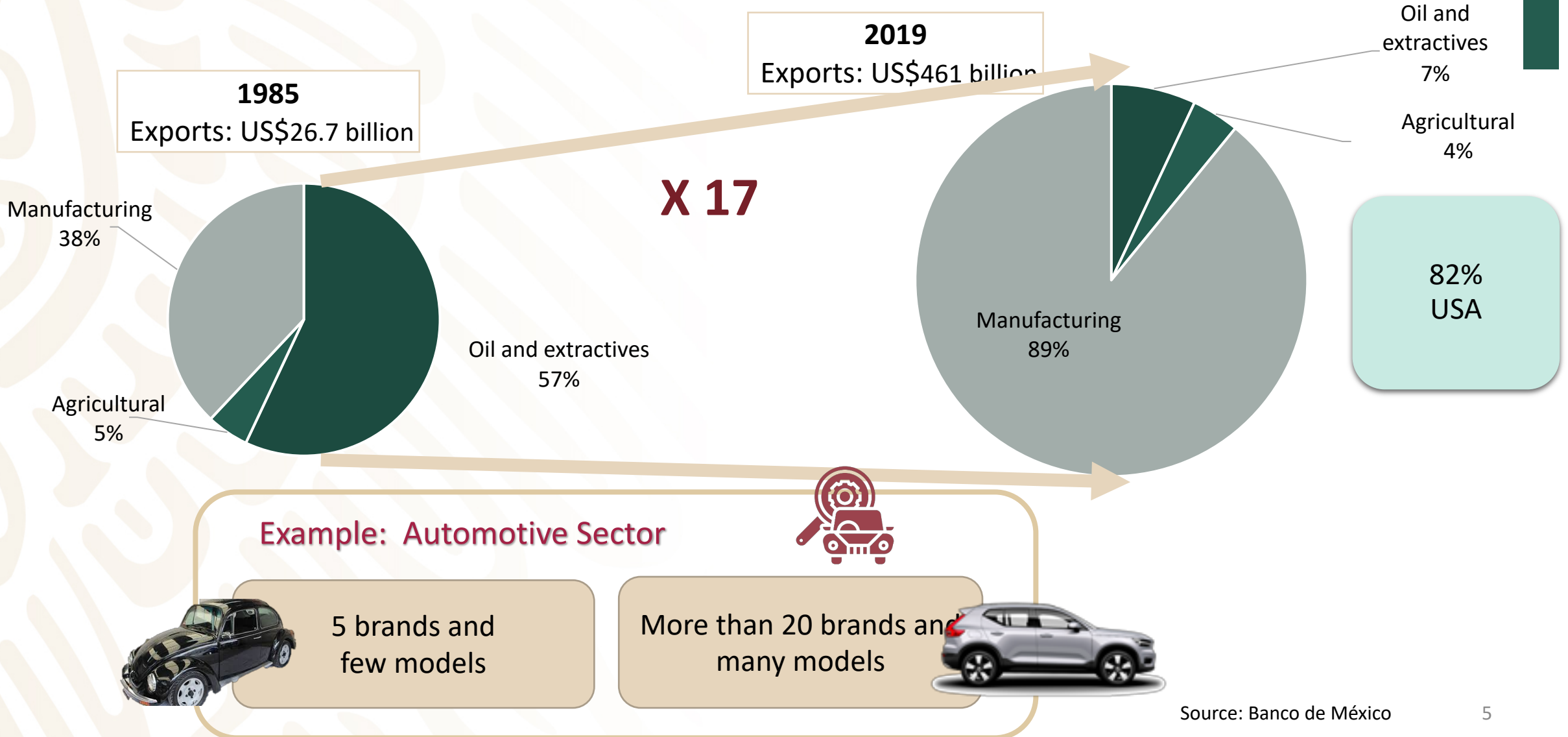
- I. NAFTA and its role on the transformation of the Mexican economy
- II. Mexico's competitiveness
- III. From NAFTA to USMCA:
 - Challenges
 - Opportunities
- IV. USMCA. Implementation and entry into force

NAFTA and its role on the transformation of the Mexican economy

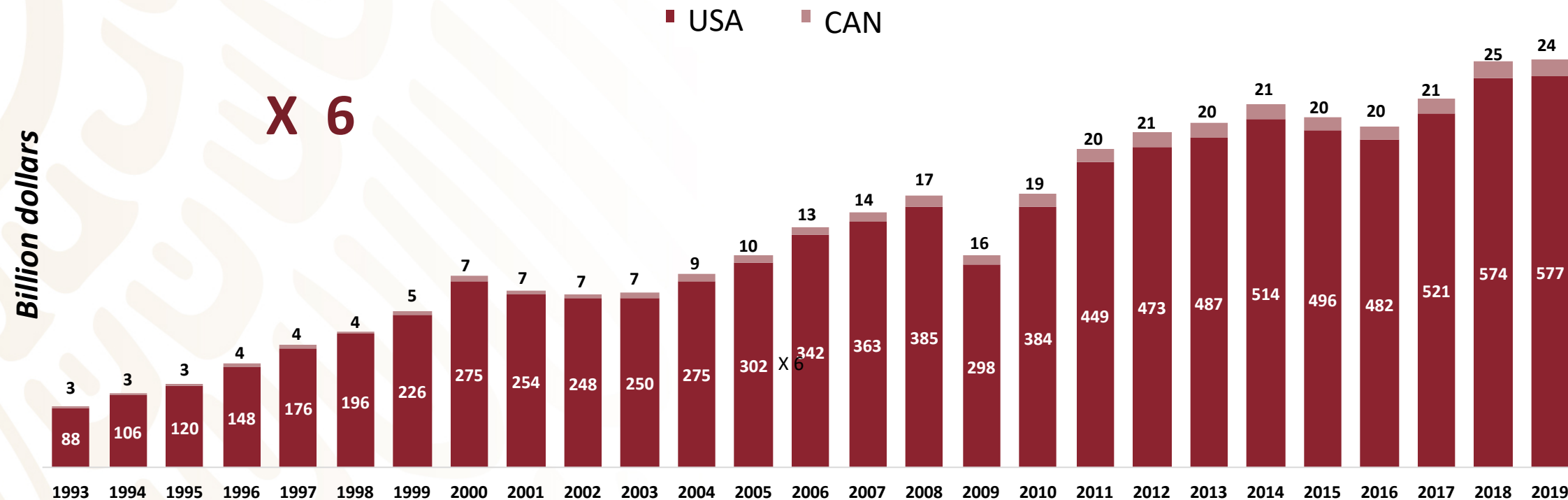
Foreign Trade: Engine of Mexico's Economic Growth



Manufacturing in GVC has Mexican driven trade



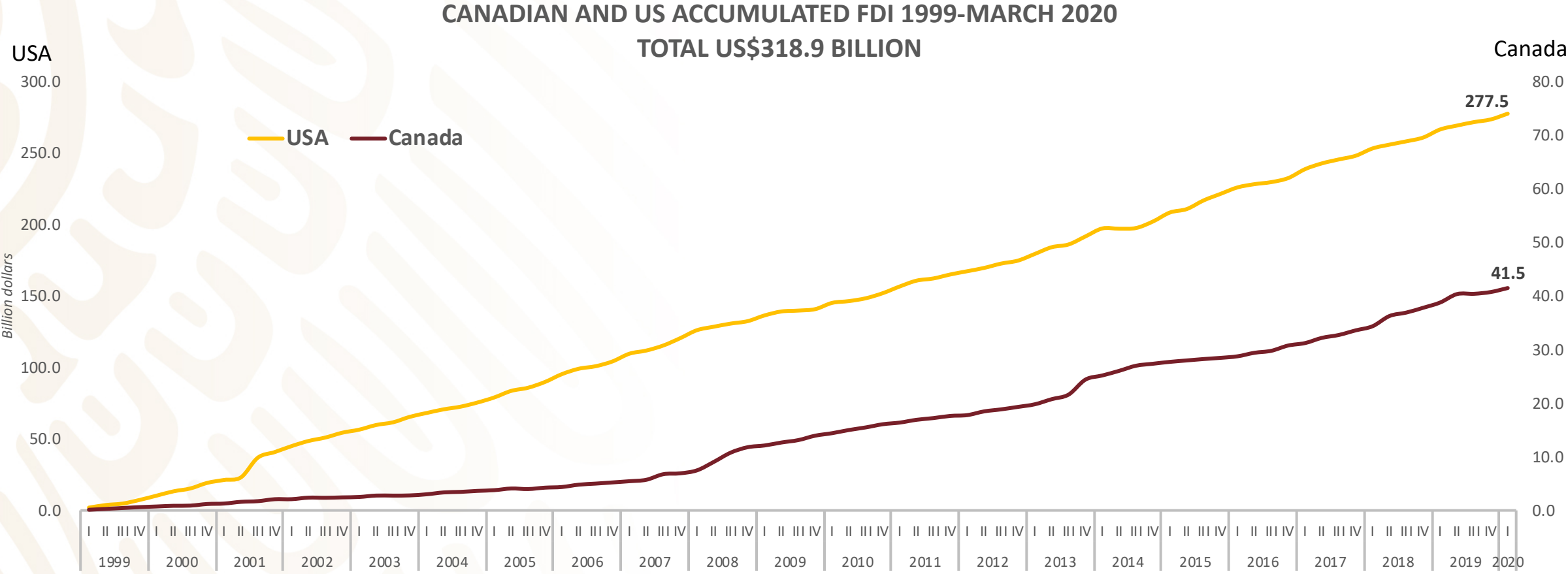
Trade with the US and Canada



Source: Banco de México

NAFTA-USMCA: FDI Boost

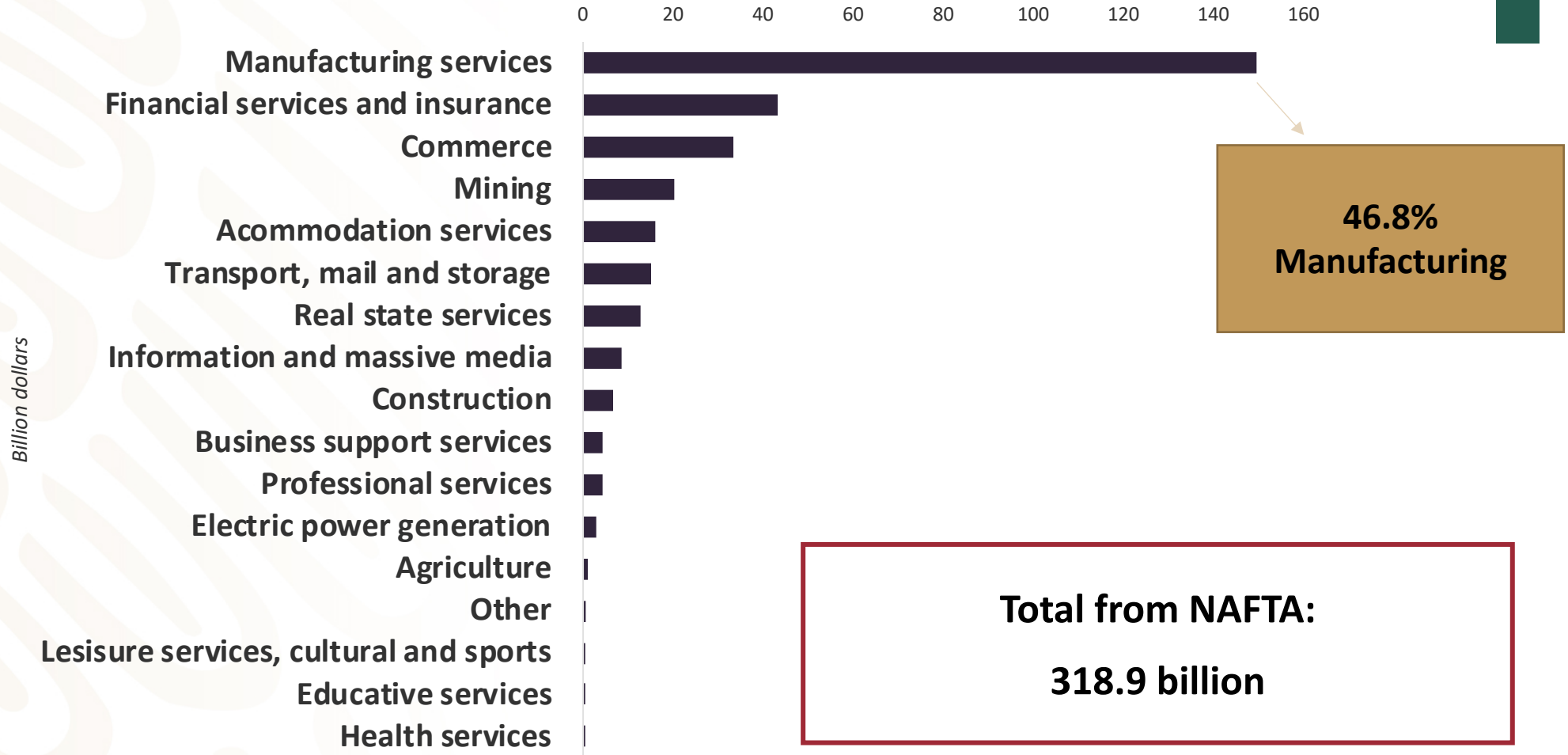
✓ Mexico's network of 13 FTAs and its export platform make it an attractive place for investors.



Source: SE/DGIE

FDI received by sector shows Mexico's integration into GVC

FDI Accumulated 1999-March 2020, Canada and USA (US\$ billion)





Mexico's Competitiveness

NAFTA transformed Mexico's manufacturing production

Mexico became the **6th world producer of vehicles (2019)**¹ and the **4th exporter worldwide (2018)**².

6th largest supplier of aircraft parts to the USA **(2019)**³.

6th largest exporter of information technology products and services **(2018)**⁴.

7th exporter (2018), if excluded trade within the European Union².

13th recipient of foreign direct investment worldwide and **2nd in Latin America (2018)**⁵.

8th exporter of food products **(2018)**⁶.

1 Source: <http://www.oica.net/category/production-statistics/2018-statistics/>

2 Source: https://www.wto.org/spanish/res_s/statistics/wts2019_s/wts2019_s.pdf

3 Source

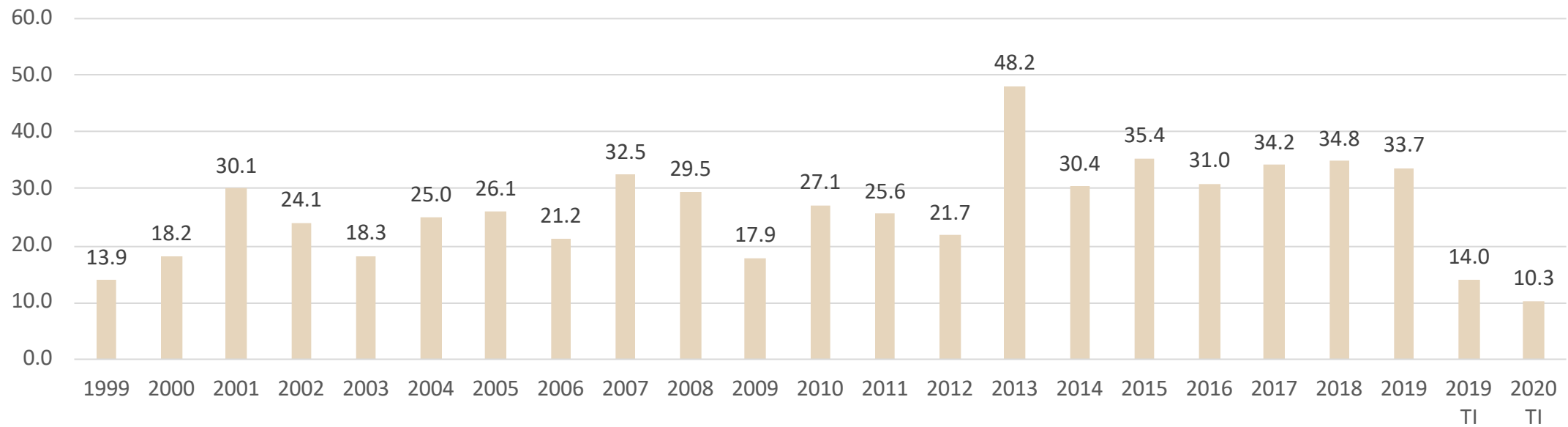
<https://legacy.trade.gov/td/otm/assets/aero/AeroTop20SuppliersAnnual.pdf>

4 Source CANIETI <https://esemanal.mx/2019/10/desciende-mexico-a-la-sexta-posicion-como-exportador-de-servicios-de-ti/>

5 Source: https://unctad.org/en/PublicationChapters/tdstat44_FS09_en.pdf

6 Source: https://www.wto.org/spanish/res_s/statistics/wts2019_s/wts2019_s.pdf

Foreign direct investment in Mexico (Billion US\$)



Accumulated FDI from 1999 to March 2020: US\$589.4 billion.



From NAFTA to USMCA



NAFTA created a competitive North America



**N
A
F
T
A**

Population

493

Million people

6.5 %
worldwide

GDP

US\$26

Trillion

18.3%
2nd economy
worldwide (2019)

FDI

US\$323

Billion

23.1% of the world's
FDI (2018)

Trade

US\$6

Trillion

15.9%
2nd exporter
worldwide (2019)

intraTrade

US\$1.2

Trillion

20% of the region's
total trade (2019)



USMCA will become effective within an adverse economic context due to COVID19...

World's GDP record drop due to COVID



(annual % change)

Source: *El País* with data from the IMF.

Impact on FDI

Between 2021 and 2022, global FDI is expected **to drop 30-40%** as a result of COVID19.

Source: UNCTAD estimates.

Decrease of Global Trade in Goods

It ranges from **13%-32%**.



North America:

-17% to -41%



Supply and Demand Shock

Sources:

1. WTO, OECD - Coronavirus, The World Economy at Risk

... and against a complex multilateral trade background



- The pandemic arrives at a fragile moment on the global order.



- Leadership redefinitions.

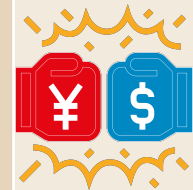


- Rising protectionist tensions.



Geopolitical Tensions

China-US Trade War



BREXIT

Multilateral Trading
System



WTO OMC

Actions to face COVID-19



USMCA will be a key factor in the economic recovery of the three countries and will provide legal certainty to trade and investment in the North American region.

USMCA governments work coordinately to:

- ✓ We agreed to close the border for non-essential travel.
- ✓ Discuss the criteria, guidelines, protocols and conditions that must be met to allow the successful transition towards reopening productive activities.
 - ✓ Implement USMCA

USMCA: Challenges

USMCA will allow us to remain a relevant, competitive, open trade region



Automotive ROO

- Rules of Origin and Origin Procedures



Labor Dispute Resolutions

- Rapid Response Labor Mechanism



Implementation of:

- Customs and Trade Facilitation provisions
- Sanctions on IP offenders

USMCA challenges

Protectionism



- Abuse of trade remedy laws

Recovery will try to privilege domestic



- Avoid falling into the trap that question global value chains

USMCA: Opportunities

USMCA opportunities



Strengthen the productive
integration of North America,

Incorporate more added value,

Expand productive development
to other regions in Mexico

USMCA opportunities



Stricter Rules of Origin for the automotive sector

It will allow the steel industry to integrate its production chain



More inclusive trade

SMEs, Environment, Anticorruption and Digital Commerce



Mechanisms for compliance with obligations

Dispute settlement mechanisms are strengthened

Opportunities to increase regional trade and productivity

AGRICULTURE

**USMCA expands and improves
market access
of agricultural products**



USA exports more than \$19 billion dollars in agricultural products to Mexico and buys more than \$27 billion dollars.

Source: USDOC.

TRADE FACILITATION

Since it seeks:

- To reduce border procedures
- Regulatory harmonization
- Automation of customs processes
- Coordinated border management



It can reduce the costs associated with trade by 14%.

...opportunities to increase regional trade,
productivity and innovation

E-COMMERCE



**Promotes the growth of
digital commerce while
strengthening the
protection of consumer
data.**



INTELLECTUAL PROPERTY



**USMCA protects
intellectual property rights
while promoting
innovation**



For the Mexican Government the USMCA approval sends an important sign that Mexico:



Is a reliable partner



Respects its international commitments



Favors an open economy and the deepening of productive integration in North America



is a source of economic growth



Seeks to promote greater national and foreign investment, as well as the creation of quality jobs in the country.



favors innovation and competition



Implementing USMCA



USMCA: Timeline



June-19, 2019

Agreement's Approval by the Mexican Senate

December-12, 2019

Senate's approval of the:

1. Protocol of Amendments
2. Environment and Customs Verification Agreement



March-13, 2020

Agreement's Approval by the Canadian Parliament



January-29, 2020

President Trump signs the Agreement

April-2, 2020

MX notified the conclusion of its domestic procedures for the Agreement's entry into force to the US and CAN.

April-2, 2020. CAN notified the conclusion of its domestic procedures for the Agreement's entry into force to MX and the US.

April-24, 2020. The US notified the conclusion of its domestic procedures for the Agreement's entry into force to MX and CAN.

July 1st, 2020

Legislative Package

**Amendments to
ensure full USMCA
compliance.**

1. Infrastructure Quality Law

2. Industrial Property Law

3. Reform to the Federal Criminal Code

4. Reform to the Federal Copyright Law

5. Reform to the Federal Plant Variety Law

6. General Import and Export Tax Law

Additional legislative activity



- **Senate Approval of the Mexico-U.S.-Canada Environmental Cooperation Agreement.**



- **USMCA Approval Decree, Tariff Decree and other administrative instruments,** to be published in the *Diario Oficial de la Federación* (Official Gazette).

UNIFORM
REGULATIONS

TRILATERAL
WORK

Chapter 4: RoO

Chapter 5: Origin Procedures

Chapter 6: Textiles and Apparel

Chapter 7: Trade Facilitation

Trilateral work: Panelists Selection

**Panelists Selection Process- Chapters 10 (up to 25)
and 31 (up to 10)**

**Rapid Response Labor Mechanism
(MX-CAN and MX-US)**

**Rules of Procedure for Dispute Settlement
Mechanisms**

Trilateral Work





Annex 31-A

Mexico-US

- **Rapid Response Labor Mechanism**

- ✓ **Collective Bargaining**
- ✓ **Freedom of Association**

Thank you

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