

USMCA, Trump's new NAFTA deal, explained in 500 words

A very simple explanation of the new trilateral trade deal.

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President Donald Trump in the Rose Garden announcing USMCA on October 1, 2018. *Chip Somodevilla/Getty Images*

The US, Canada, and Mexico struck a new trade deal to replace NAFTA on Sunday. It's known as [the United States-Mexico-Canada Agreement, or USMCA](#). The three countries reached a consensus after more than a year of talks, which began after President Donald Trump made good on his campaign promise to renegotiate the nearly 25-year-old agreement.

It's basically NAFTA 2.0, with major changes on cars and new policies on labor and environmental standards, intellectual property protections, and some digital trade provisions.

Here are the biggest changes:

- **Country of origin rules:** Automobiles must have 75 percent of their components manufactured in Mexico, the US, or Canada to qualify for zero tariffs (up from 62.5 percent under NAFTA).
- **Labor provisions:** 40 to 45 percent of automobile parts have to be made by workers who earn at least \$16 an hour by 2023. Mexico has also agreed to

pass laws giving workers the right to union representation, extend labor protections to migrant workers, and protect women from discrimination. The countries can also sanction one another for labor violations.

- **US farmers get more access to the Canadian dairy market:** The US got Canada to open up its dairy market to US farmers, which was a big issue for Trump.
- **Intellectual property and digital trade:** The deal [extends the terms of copyright](#) to 70 years beyond the life of the author (up from 50). It also extends the period that a pharmaceutical drug can be protected from generic competition.

It also includes new provisions to deal with the digital economy, [including](#) prohibiting duties on things like music and e-books, and protections for internet companies so they're not liable for content their users produce.

- **No section 232 tariff protections:** [Section 232](#) is a trade loophole that Trump has used to impose steel and aluminum tariffs on Canada, Mexico, and the European Union. Both Canada and Mexico wanted protections from these tariffs, but they didn't get them. They did get the US to make [a side agreement](#) that protects them from possible auto tariffs under 232, though.
- **Sunset clause:** The agreement puts in a 16-year "sunset" clause — meaning the terms of the agreement expire, or "sunset," after a set period of time. The deal is also subject to a review every six years, at which point the US, Mexico, and Canada can decide to extend USMCA.

USMCA has been negotiated — now it needs to get approved

Trump, Canadian Prime Minister Justin Trudeau, and Mexican President Enrique Peña Nieto have to sign the agreement, which they plan to do before Peña Nieto leaves office at the end of November (perhaps at the [G20 summit](#) in Buenos Aires that month).

But the deal still needs to be ratified by all three governments. Canada and Mexico will likely do so. The real question is the US. Congress likely won't consider any agreement until 2019, and if the Democrats take control of the House or Senate in the midterms next month, they might be reluctant to give the president a win.