

United States-Mexico-Canada Agreement (USMCA)

Overview and Implications for the Metals and Minerals Industry

Introduction

The United States-Mexico-Canada Agreement (USMCA), also known as CUSMA in Canada and T-MEC in Mexico, replaced the North American Free Trade Agreement (NAFTA) on July 1, 2020. The agreement preserves most of NAFTA's tariff-free treatment while adding new provisions for digital trade, labor, environment, and rules of origin. For the metals and minerals industry, USMCA introduces significant changes, particularly for steel and aluminum products.

Participating Countries

- United States
- Mexico
- Canada

Key Provisions

Tariff Elimination

- Preserves NAFTA's zero tariffs on most goods traded between the three countries
- Continues duty-free access for most metals and minerals
- Maintains prohibition on export duties and taxes

Rules of Origin

- Enhanced rules of origin for steel and aluminum products
- “Melted and poured” requirement for steel to qualify for preferential treatment
- Increased regional value content requirements for many finished goods containing metals

Steel and Aluminum Content Requirements

- For automotive products: 70% of steel and aluminum must be “North American” in origin
- Steel must be “melted and poured” in North America
- Significant for downstream users of metals in manufacturing sectors

Labor Provisions

- Enhanced labor protections, particularly for Mexico
- Requirement for Mexico to implement labor reforms
- Facility-specific rapid response labor enforcement mechanism
- Potential impact on metals processing facilities

Environmental Provisions

- Enhanced environmental obligations
- Provisions addressing wildlife trafficking, illegal logging, and marine pollution
- Improved mechanisms for public submissions on enforcement matters
- Relevant for mining operations and processing facilities

Certification of Origin

- No prescribed certificate of origin form (unlike NAFTA Form 434)
- Minimum data elements required for certification
- Can be provided on an invoice or separate document
- Producer, exporter, or importer may complete certification

Sunset and Review

- 16-year term with review after 6 years
- Option to extend for additional 16-year terms
- Provides greater certainty than initial USMCA proposals

Implications for Metals and Minerals Industry

Steel Industry

- “Melted and poured” requirement creates stronger regional supply chain
- Protection against third-country steel transshipment
- Automotive content requirements increase North American steel demand
- Enhanced customs cooperation on steel import monitoring

Aluminum Industry

- New requirements for regional content in automotive sector
- Enhanced tracing of origin through supply chains
- May shift sourcing patterns for primary and secondary aluminum

Mining Sector

- Continued duty-free access for most minerals and ores
- Enhanced environmental provisions affecting mining operations
- Increased labor standards for Mexican mining operations
- Streamlined customs procedures for cross-border mineral shipments

Supply Chain Considerations

- Encourages North American supply chain integration
- May require adjustment to sourcing strategies for manufacturers
- Enhanced traceability requirements throughout supply chain
- Potential reshoring of certain metals processing operations

Market Access Changes

- Preserved tariff-free access for most products
- Enhanced customs procedures and trade facilitation
- De minimis thresholds increased for express shipments
- Digital trade provisions that may benefit metals e-commerce

Specific Metals Provisions

Steel and Aluminum Provisions

- Section 232 tariffs addressed in side letters, not in main agreement
- Monitoring systems for potential import surges
- Consultations required before imposing new trade restrictions
- Country-specific quotas may apply under certain circumstances

Automotive Steel and Aluminum Requirements

- 70% of steel and aluminum purchases must originate in North America
- “Melted and poured” requirement for steel
- Aluminum origin requirements less stringent than for steel
- Certification and verification processes

Minerals Critical to National Security

- Recognition of critical minerals importance
- Enhanced cooperation on critical minerals development
- Consultation provisions for supply restrictions
- Potential for expedited permitting for critical minerals projects

Compliance Requirements

Certification of Origin

- Minimum data elements:
 - Certifier identification and role

- Importer, exporter, and producer information
 - Description and HS classification of goods
 - Origin criteria
 - Blanket period (if applicable)
 - Signature and date
- No prescribed format (unlike NAFTA Certificate of Origin)
 - Can be provided on an invoice or as a separate certification
 - Electronic or digital signatures permitted

Recordkeeping

- Records must be maintained for at least 5 years
- Electronic recordkeeping permitted
- Documentation must substantiate origin claims
- Origin verification may be conducted through questionnaires, facility visits, or other means

Verification Procedures

- More detailed than under NAFTA
- Importing country authorities can conduct verifications
- Verification visits to facilities permitted
- Denial of benefits for non-compliance or failure to support claims

Comparison with NAFTA

Key Improvements

- Modernized customs procedures and trade facilitation
- Streamlined certification of origin process
- Updated rules to reflect modern production methods
- Digital trade provisions not present in NAFTA
- Enhanced labor and environmental provisions

Key Changes for Metals Sector

- Enhanced regional content requirements

- “Melted and poured” provision for steel
- More detailed tracing requirements for certain metals
- Enhanced enforcement mechanisms for rules of origin
- Stronger customs cooperation provisions

Strategic Recommendations

Short-term Actions

- Review supply chains for compliance with new origin requirements
- Develop systems for tracking “melted and poured” origin for steel products
- Update certification of origin procedures
- Train staff on new requirements and procedures

Medium-term Strategy

- Evaluate supply chain restructuring to maximize USMCA benefits
- Consider advantages of North American sourcing for metals
- Develop systems to demonstrate compliance with labor provisions
- Review environmental compliance at mining and processing facilities

Long-term Planning

- Consider investments in North American production capacity
- Evaluate opportunities for supply chain integration across the three countries
- Monitor implementation and enforcement patterns
- Prepare for 6-year review process

Implementation Timeline

- **November 30, 2018:** Agreement signed
- **April-May 2019:** Removal of Section 232 tariffs on steel and aluminum
- **December 2019-March 2020:** Ratification by all three countries
- **July 1, 2020:** Entry into force

- **July 1, 2023:** Completion of transition from NAFTA
- **July 2026:** First review under sunset clause

Dispute Resolution

- State-to-state dispute settlement preserved
- Modified investor-state dispute settlement (limited for US-Mexico, phased out for Canada)
- New rapid response labor mechanism for facility-specific complaints
- Enhanced review and enforcement mechanisms

Conclusion

The USMCA preserves and enhances North American trade integration while adding new provisions designed to level the playing field. For the metals and minerals industry, the agreement provides continued market access with enhanced rules designed to strengthen regional production. Companies in the sector should review their compliance strategies to ensure they can fully benefit from the agreement while meeting its enhanced requirements.

Additional Resources

- USMCA Full Text: ustr.gov/usmca
- Customs Implementation Regulations:
 - US: cbp.gov/trade/priority-issues/trade-agreements/usmca
 - Canada: cbsa-asfc.gc.ca/services/cusma-aceum
 - Mexico: sat.gob.mx/tmec
- Uniform Regulations for Rules of Origin