

UNITED STATES–MEXICO TRADE FACT SHEET: Rebalancing NAFTA to Support Manufacturing

The United States and Mexico have reached a preliminary agreement in principle, subject to finalization and implementation, that supports North American manufacturing and mutually beneficial trade. The new agreement will create more balanced, reciprocal trade that supports high-paying jobs for Americans and grows the United States and Mexican economies.

RULES OF ORIGIN AND ORIGIN PROCEDURES

The United States and Mexico have concluded substantive discussions on new rules of origin and origin procedures, including product-specific rules for passenger vehicles, light trucks, and auto parts. This update to the rules of origin will provide greater incentives to source goods and materials in the United States and North America.

Key Achievement: Increasing Regional Value Content Rule

This deal encourages United States manufacturing and regional economic growth by requiring that 75 percent of auto content be made in the United States and Mexico.

The rules will:

- Incentivize billions annually in additional United States vehicle and auto parts production.
- Help to preserve and re-shore vehicle and parts production in the United States.
- Transform supply chains to use more United States content, especially content that is key to future automobile production and high-paying jobs.
- Close gaps in the current NAFTA agreement that incentivized low wages in automobile and parts production.

Key Achievement: Creating New Labor Value Content Rule

This deal uses trade rules to drive higher wages by requiring that 40-45 percent of auto content be made by workers earning at least \$16 per hour.

The rules will:

- Support better jobs for United States producers and workers by requiring that a significant portion of vehicle content be made with high-wage labor.
- Ensure that United States producers and workers are able to compete on an even playing field, and incentivize new vehicle and parts investments in the United States.
- Encourage more investment by auto companies in research and development in the region.

Key Achievement: Exceeding NAFTA 1.0 and TPP Standards with Stronger Rules of Origin and Enforcement

The United States and Mexico have agreed to stronger rules of origin that exceed those of both NAFTA 1.0 and the Trans-Pacific Partnership (TPP), including for autos and automobile parts and other industrial products such as chemicals, steel-intensive products, glass, and optical fiber.

This deal exceeds NAFTA 1.0 and the TPP by establishing procedures that streamline certification and verification of rules of origin and that promote strong enforcement. This includes new cooperation and enforcement provisions that help to prevent duty evasion before it happens.

The new rules will help ensure that only producers using sufficient and significant United States and Mexican parts and materials receive preferential tariff benefits.

GOODS MARKET ACCESS

New commitments have been included in the Market Access chapter to reflect developments in United States trade agreements that address non-tariff barriers related to trade in remanufactured goods, import licensing, and export licensing.

Key Achievement: Exceeding NAFTA 1.0 and TPP Standards to More Effectively Support Trade in Manufactured Goods

The new Market Access chapter will more effectively support trade in manufactured goods between the United States and Mexico by removing provisions that are no longer relevant, updating key references, and affirming commitments that have phased in from the original agreement.

Specifically, the Market Access chapter:

- Maintains duty-free treatment for originating goods.
- Maintains the prohibition on export duties, taxes, and other charges and the waiver of specific customs processing fees.
- Adds new provisions for transparency in import licensing and export licensing procedures.
- Prohibits Parties from applying: (a) requirements to use local distributors for importation; (b) restrictions on the importation of commercial goods that contain cryptography; (c) import restrictions on used goods to remanufactured goods; and (d) requirements for consular transactions and their associated fees and charges.
- Updates provisions for duty-free temporary admission of goods to cover shipping containers or other substantial holders used in the shipment of goods.

TEXTILES

The new provisions on textiles incentivize greater United States and Mexican production in textiles and apparel trade, strengthen customs enforcement, and facilitate broader consultation and cooperation among the Parties on issues related to textiles and apparel trade.

Key Achievement: Strengthening Supply Chains to Provide New Market Opportunities for the Textile and Apparel Sector

The provisions will:

- Promote greater use of Made-in-the-USA fibers, yarns, and fabrics by:
 - Limiting rules that allow for some use of non-NAFTA inputs in textile and apparel trade.
 - Requiring that sewing thread, pocketing fabric, narrow elastic bands, and coated fabric, when incorporated in apparel and other finished products, be made in the region for those finished products to qualify for trade benefits.
- Establish a Textiles chapter for United States–Mexico trade, including textile-specific verification and customs cooperation provisions that provide new tools for strengthening customs enforcement and preventing fraud and circumvention in this important sector.

The new Textiles chapter provisions are stronger than those in NAFTA 1.0 with respect to both enforcement and incentivizing North American production of textiles.

SECTORAL ANNEXES

The United States and Mexico have also reached agreement on new provisions covering trade in specific manufacturing sectors, including Information and Communication Technology, Pharmaceuticals, Medical Devices, Cosmetic Products, and Chemical Substances. Each of the annexes includes provisions that exceed NAFTA 1.0 and TPP that promote enhanced regulatory compatibility, best regulatory practices, and increased trade between both countries.