

President Donald J. Trump is Keeping His Promise to Renegotiate NAFTA

Economy & Jobs

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Quote

America has ... finally turned the page on decades of unfair trade deals that sacrificed our prosperity and shipped away our companies, our jobs, and our Nation's wealth.

President Donald J. Trump

A PROMISE KEPT: President Donald J. Trump is delivering on his promise to renegotiate the North American Free Trade Agreement (NAFTA) so all American workers can benefit.

- The Administration has secured a preliminary United States–Mexico Trade Agreement that modernizes and rebalances the trade relationship to reflect the realities of the 21st century.
 - This agreement will create more reciprocal trade that grows the economy, supports high-paying jobs for American workers, and protects American intellectual property.
 - The preliminary agreement is a mutually beneficial win for North American farmers, ranchers, workers, and businesses.
- President Trump is following through after years of promises by politicians to fix NAFTA.
 - This is the first time that a modern United States trade agreement has been renegotiated.
- The preliminary agreement will benefit American workers, American manufacturing, and American agriculture, through provisions including:
 - New “rules of origin” requirements to incentivize billions a year in vehicle and automobile parts production in the United States, supporting high-wage jobs.
 - The strongest, fully enforceable labor standards of any trade agreement.
 - New commitments to reduce trade-distorting policies for agricultural goods.
 - Improvements enabling food and agriculture to trade more fairly.
 - Strong and effective intellectual property protections.
 - The strongest disciplines on digital trade of any international agreement.
 - The most robust transparency obligations of any United States trade agreement.

MODERNIZING NAFTA: The 24-year-old NAFTA was outdated and unbalanced, hurting American jobs and businesses.

- Many Americans have been hurt by closed factories, exported jobs, and broken political promises resulting from the old NAFTA.
- NAFTA has contributed to our ballooning annual goods trade deficit, which grew from \$115 billion in 1993, the year before NAFTA's implementation, to nearly \$800 billion in 2017.
 - The United States went from a \$1.6 billion goods trade surplus with Mexico to a \$70 billion goods trade deficit during that same time period.
- The old NAFTA includes many outdated provisions that have not been updated to reflect modern standards, new technologies, or the 21st century global economy.

NEGOTIATING FOR THE AMERICAN WORKER: President Trump has made it a priority of his Administration to replace unfair deals with free, fair, and reciprocal trade.

- Since taking office, President Trump has undertaken multiple trade negotiations in addition to NAFTA that will benefit American workers.
- President Trump reached an agreement with the European Commission to work toward zero tariffs, increase energy exports, reduce non-tariff barriers, and address unfair trade.
- Keeping another campaign promise, the Trump Administration successfully secured key amendments to the trade agreement with South Korea to strengthen our manufacturing base.

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UNITED STATES–MEXICO TRADE FACT SHEET

Modernizing NAFTA to be a 21st Century Trade Agreement

The United States and Mexico have reached a preliminary agreement in principle, subject to finalization and implementation, to update the 24-year-old NAFTA with modern provisions representing a 21st century, high-standard agreement. The updated agreement will support mutually beneficial trade leading to freer markets, fairer trade, and robust economic growth in North America.

INTELLECTUAL PROPERTY

The United States and Mexico have reached an agreement on a modernized, high-standard Intellectual Property (IP) chapter that provides strong and effective protection and enforcement of IP rights critical to driving innovation, creating economic growth, and supporting American jobs.

Key Achievement: Most Comprehensive Enforcement Provisions of Any Trade Agreement

For the first time, a trade agreement will require all of the following:

- Enforcement authorities must be able to stop goods that are suspected of being pirated or counterfeited at all areas of entry and exit. ☞
- Enforcement against counterfeits and piracy occurring on a commercial scale.
- Meaningful criminal procedures and penalties for camcording of movies.
- Civil and criminal penalties for satellite and cable signal theft.
- Broad protection against trade secret theft, including against state-owned enterprises.

Key Achievement: Strongest Standards for Trade Secrets of Any United States FTA

This deal, if finalized, will be the first FTA to require all of the following to protect United States rightsholders from theft of trade secrets, including by state-owned enterprises: civil remedies, criminal remedies, prohibition on impeding licensing of trade secrets, protections for trade

secrets during the litigation process, and penalties for government officials who wrongfully disclose trade secrets.

Key Highlights: Protections for Innovators

The new IP Chapter will:

- Require full national treatment for copyright and related rights so United States creators are not deprived of rights in foreign markets that domestic creators receive.
- Provide strong patent protection for innovators by enshrining patentability standards and patent office best practices to ensure that United States innovators, including small- and medium-sized businesses, are able to protect their inventions with patents.
- Include strong protection for pharmaceutical and agricultural innovators.
- Extend the minimum copyright term to 75 years for works like song performances and ensure that works such as digital music, movies, and books can be protected through current technologies such as technological protection measures and rights management information.
- Establish a notice-and-takedown system for copyright safe harbors for Internet service providers (ISPs) that provides protection for IP and predictability for legitimate technology enterprises who do not directly benefit from the infringement, consistent with United States law.
- Provide important procedural safeguards for recognition of new geographical indications (GIs), including strong and comprehensive standards for protection against issuances of GIs that would prevent United States producers from using common names.
- Enhance provisions for protecting trademarks, including well-known marks, to help companies that have invested effort and resources into establishing goodwill for their brands.
- Includes 10 years of data protection for biologic drugs and expanded scope of products eligible for protection.

DIGITAL TRADE

The new Digital Trade chapter contains the strongest disciplines on digital trade of any international agreement, providing a firm foundation for the expansion of trade and investment in the innovative products and services where the United States has a competitive advantage.

Key Highlights of the Digital Trade Chapter

The new Digital Trade chapter will:

- Prohibit customs duties and other discriminatory measures from being applied to digital products distributed electronically (e-books, videos, music, software, games, etc.).
- Ensure that suppliers are not restricted in their use of electronic authentication or electronic signatures, thereby facilitating digital transactions.
- Guarantee that enforceable consumer protections, including for privacy and unsolicited communications, apply to the digital marketplace.
- Limit governments' ability to require disclosure of proprietary computer source code and algorithms, to better protect the competitiveness of digital suppliers.

DE MINIMIS

Key Achievement: Increased *De Minimis* Shipment Value Level

To facilitate greater cross-border trade, the United States has reached an agreement for Mexico to raise its *de minimis* shipment value level to \$100 USD, up from \$50 USD. Shipment values up to this level would enter Mexico without customs duties or taxes, and with minimal formal entry procedures, making it easier for more businesses, especially small- and medium-sized ones, to be a part of cross-border trade.

Increasing the *de minimis* level with a key trading partner like Mexico is a critical outcome for United States small- and medium-sized enterprises (SMEs). These SMEs often lack resources to pay customs duties and taxes, and bear the increased compliance costs that low, trade-restrictive *de minimis* levels place on lower-value shipments, which SMEs often have due to their smaller trade volumes.

New traders, just entering Mexico's market, will also benefit from lower costs to reach consumers. United States express delivery carriers, who carry many low-value shipments for these traders, also stand to benefit through lower costs and improved efficiency.

FINANCIAL SERVICES

United States financial services firms provide services critical to every sector of the economy, including small- and medium-sized businesses. The United States exported about \$115 billion in financial services in 2016, generating around a \$41 billion surplus in trade in financial services.

The updated Financial Services chapter includes commitments to liberalize financial services markets and facilitate a level playing field for United States financial institutions, investors and investments in financial institutions, and cross-border trade in financial services.

Key Achievement: Core Obligations to Prevent Discrimination Against Financial Services Suppliers

The chapter includes core obligations, such as:

- National treatment, to ensure that a Party does not discriminate against United States financial service suppliers.
- Market access, which prohibits a Party from imposing certain quantitative and numerical restrictions that would limit the business of United States financial services suppliers.
- Most-favored nation treatment, to ensure that a Party does not discriminate in favor of another Party or non-Party.

Key Achievement: First Provision Against Unnecessary Local Data Storage Requirements

For the first time in any United States trade agreement, this deal includes a prohibition on local data storage requirements in circumstances where a financial regulator has the access to data that it needs to fulfill its regulatory and supervisory mandate.

Key Highlights Supporting Financial Services

The new Financial Services chapter will include:

- Updated provisions to allow for the cross-border transfer of data and updated market access obligation.
- The most robust transparency obligations of any United States trade agreement, to ensure good regulatory practices in government licensing and other market access authorizations.
- A separate annex on commitments relating to cross-border trade, including application of the national treatment and market access obligation to an expanded list of cross-border services, such as portfolio management, investment advice, and electronic payment services.

LABOR

One of President Trump's principal objectives in the renegotiation is to ensure the agreement benefits American workers. The United States and Mexico have agreed to a Labor chapter that brings labor obligations into the core of the agreement, makes them fully enforceable, and represents the strongest provisions of any trade agreement.

Key Achievement: Worker Representation in Collective Bargaining

The Labor chapter includes an Annex on Worker Representation in Collective Bargaining in Mexico, under which Mexico commits to specific legislative actions to provide for the effective recognition of the right to collective bargaining.

Key Achievement: Labor Rights Recognized by the International Labor Organization

The Labor chapter requires the Parties to adopt and maintain in law and practice labor rights as recognized by the International Labor Organization, to effectively enforce their labor laws, and not to waive or derogate from their labor laws.

Additionally, the chapter includes new provisions to take measures to prohibit the importation of goods produced by forced labor, to address violence against workers exercising their labor rights, and to ensure that migrant workers are protected under labor laws.

Key Achievement: New Labor Value Content Rule

To support North American jobs, the deal requires new trade rules of origin to drive higher wages by requiring that 40-45 percent of auto content be made by workers earning at least \$16 USD per hour.

ENVIRONMENT

The United States and Mexico have agreed to the most advanced, most comprehensive, highest-standard chapter on the Environment of any trade agreement. Like the Labor chapter, the Environment chapter brings all environmental provisions into the core of agreement and makes them enforceable.

Key Achievement: Most Comprehensive Set of Enforceable Environmental Obligations

The Environment chapter includes the most comprehensive set of enforceable environmental obligations of any previous United States agreement, including obligations to combat trafficking in wildlife, timber, and fish; to strengthen law enforcement networks to stem such trafficking; and to address pressing environmental issues such as air quality and marine litter

Environment obligations include:

- Prohibitions on some of the most harmful fisheries subsidies, such as those that benefit vessels or operators involved in illegal, unreported, and unregulated (IUU) fishing.
- New protections for marine species like whales and sea turtles, including a prohibition on shark-finning and commitment to work together to protect marine habitat.
- Obligations to enhance the effectiveness of customs inspections of shipments containing wild fauna and flora at ports of entry, and ensure strong enforcement to combat IUU fishing.
- First-ever articles to improve air quality, prevent and reduce marine litter, support sustainable forest management, and ensure appropriate procedures for environmental impact assessments.

- Robust and modernized mechanisms for public participation and environmental cooperation.

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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.

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Strengthening NAFTA for Agriculture

The United States and Mexico have reached an agreement to benefit American farmers, ranchers, and agribusinesses. While agriculture has generally performed well under NAFTA, important improvements in the agreement will enable food and agriculture to trade more fairly.

Key Achievement: Maintaining Zero Tariffs on Agricultural Products

Under a modernized agreement, tariffs on agricultural products traded between the United States and Mexico will remain at zero.

Key Achievement: Setting Unprecedented Standards for Agricultural Biotechnology

For the first time, the agreement specifically addresses agricultural biotechnology to support 21st century innovations in agriculture. The text covers all biotechnologies, including new technologies such as gene editing, whereas the Trans-Pacific Partnership text covered only traditional rDNA technology. Specifically, the United States and Mexico have agreed to provisions to enhance information exchange and cooperation on agricultural biotechnology trade-related matters.

Key Achievements: Significant Commitments to Reduce Trade Distorting Policies, Improve Transparency, and Ensure Non-Discriminatory Treatment for Agricultural Product Standards

Building on NAFTA, the United States and Mexico agree to work together in other fora on agriculture matters, improve transparency and consultations on matters affecting trade between the two countries, and provide for non-discriminatory treatment in grading of agricultural products.

The United States and Mexico agreed to several provisions to reduce the use of trade distorting policies, including:

- To not use export subsidies or World Trade Organization (WTO) special agricultural safeguards for products exported to each other's market.

- Improved commitments to increase transparency and consultation regarding the use of export restrictions for food security purposes.
- If supporting producers, to consider using domestic support measures that have minimal or no trade distorting or production effects and ensure transparency of domestic support and supply management programs.

To facilitate the marketing of food and agricultural products, Mexico and the United States agree that grading standards and services will be non-discriminatory, including for grains and that grading will operate independently from domestic registration systems for grain and oilseed varieties.

Key Achievement: Enhanced Rules for Science-Based Sanitary and Phytosanitary Measures

In the Sanitary and Phytosanitary (SPS) Measures chapter, the United States and Mexico have agreed to strengthen disciplines for science-based SPS measures, while ensuring Parties maintain their sovereign right to protect human, animal, and plant life or health. Provisions include increasing transparency on the development and implementation of SPS measures; advancing science-based decision making; improving processes for certification, regionalization and equivalency determinations; conducting systems-based audits; improving transparency for import checks; and working together to enhance compatibility of measures. The new agreement would establish a new mechanism for technical consultations to resolve issues between the Parties.

Key Achievement: New Disciplines on Geographic Indications and Common Names for Cheeses

For the first time in NAFTA, the United States and Mexico have agreed to geographical indication standards that: enhance transparency for opposition and cancellation proceedings for geographical indications (GIs); establish a mechanism to consult on GIs pursuant to international agreements; and allow for additional factors that may be taken into account in determining whether a term is a common name instead of a GI. In addition, for the first time in a United States trade agreement, Mexico and the United States agreed to not restrict market access in Mexico for U.S. cheeses labeled with certain names.

Key Achievement: Prohibiting Barriers for Alcoholic Beverages

The United States and Mexico agreed to labeling and certification provisions that will help the countries avoid barriers to trade in wine and distilled spirits. Mexico agreed to continue recognition of Bourbon Whiskey and Tennessee Whiskey as distinctive products of the United States. The United States agreed to continue recognition of Tequila and Mezcal as distinctive products of Mexico.

Key Achievement: New Protections for Proprietary Food Formulas

The United States and Mexico agreed on the first ever Annex on Proprietary Food Formulas, which requires each Party to protect the confidentiality of proprietary formulas for food products in the same manner for domestic and imported products. It also limits such information requirements to what is necessary to achieve legitimate objectives.

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