



## **USMCA 101 – Part 1**

The United States, Canada and Mexico have been working over the past few months to officially approve a trade deal to replace the North American Free Trade Agreement (NAFTA) now called the United States-Mexico-Canada Agreement (USMCA). Mexico was the first to ratify the deal on June 19, but the United States and Canada must still follow suit. This is generating significant media coverage and conversations across industries about the pros and cons of the new trade agreement. USMCA has a direct impact on our industry and our company and so we have asked our team to break it down for you. What is the significance of the new USMCA? How does it affect GM?

### **Background**

NAFTA was ratified in January 1994 and has been instrumental in helping the U.S. auto industry remain competitive in the global marketplace. Today, the U.S. automotive industry is manufacturing, selling, investing, exporting and growing jobs in the United States at or near record levels. Duty-free trade between the U.S., Canada and Mexico has played an important role in the competitiveness of the North American automotive sector.

Technological advancements and innovation across industries, most notably the auto sector, as well as the globalization of trade meant that by 2017 it was time to modernize the agreement. Reforming NAFTA was a top priority for the President whose administration went to work on modernizing this pact with Canadian and Mexican officials shortly after his inauguration.

After more than a year of negotiations, on November 30, 2018, the USMCA was signed by U.S. President Donald Trump, Mexican President Enrique Peña Nieto (now former), and Canadian Prime Minister Justin Trudeau. Before this pact can become law, it must also be ratified by the legislatures of all three countries. Mexico passed the agreement and Canada has taken steps to advance the text through its Parliament. In the United States, Trump Administration officials are working both sides of the aisle on Capitol Hill to address concerns and build support for the deal prior to the introduction of implementing legislation.

**The new deal has a few key provisions that directly impact the auto industry:**

- USMCA increases the portion of a qualifying car that needs to be sourced in North America, known as regional value content (RVC), from 62.5% to 75%.
- At least 25% of the value of qualifying cars (30% for trucks) must come from North American facilities where the average wage is at least \$16/hour. NAFTA had no wage requirements.

**How does USMCA impact GM specifically?**

Look out for Part 2 of GM Engage's USMCA series in the coming weeks. Part 2 will focus on USMCA's impact on GM.

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