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The USMCA's impact on supply chain compliance

By Karen Kroll

The United States–Mexico–Canada Agreement (USMCA), which went into effect July 1, 2020, contains multiple provisions that will affect supply chains. While the U.S. Customs and Border Protection has stated that it recognizes businesses need time to adjust to the new agreement and will “show restraint in enforcement” through 2020,^[1] supply chain and compliance professionals will want to start now in reviewing their operations to ensure they’re in compliance.

“The USMCA is a reaffirmation of the importance of Canada and Mexico to the U.S.,” said Erik Lee, executive director with the North American Research Partnership, an independent think tank that researches how the United States, Mexico and Canada can position themselves for success in the 21st century. As of December 2019, Mexico and Canada were the U.S.’s top trading partners, according to information from the U.S. Census.^[2]

The USMCA is like version 1.2 of the North American Free Trade Agreement (NAFTA), said Seth Stodder, a partner at the law firm Holland & Knight with expertise in international trade. With a few exceptions, it builds on the principles contained in NAFTA,^[3] he added. Since NAFTA was signed in 1994, America’s trade with Canada has more than doubled,^[4] with Mexico, it has more than quintupled.^[5]

These shifts have led to “incredibly dynamic economies and integrated supply chains that cross borders,” Stodder said. The USMCA preserves much of this, he added.

At the same time, USMCA does contain significant changes. When Dan Ujcz, an international trade attorney with Dickinson Wright, analyzed the agreements, he found slightly less than 60% of the language in the USMCA is the same or similar to NAFTA, while 40% is changed. “Moreover, this includes significant changes to bedrock industries like textiles and auto,” he added.

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