

USMCA: Agreements and Disputes

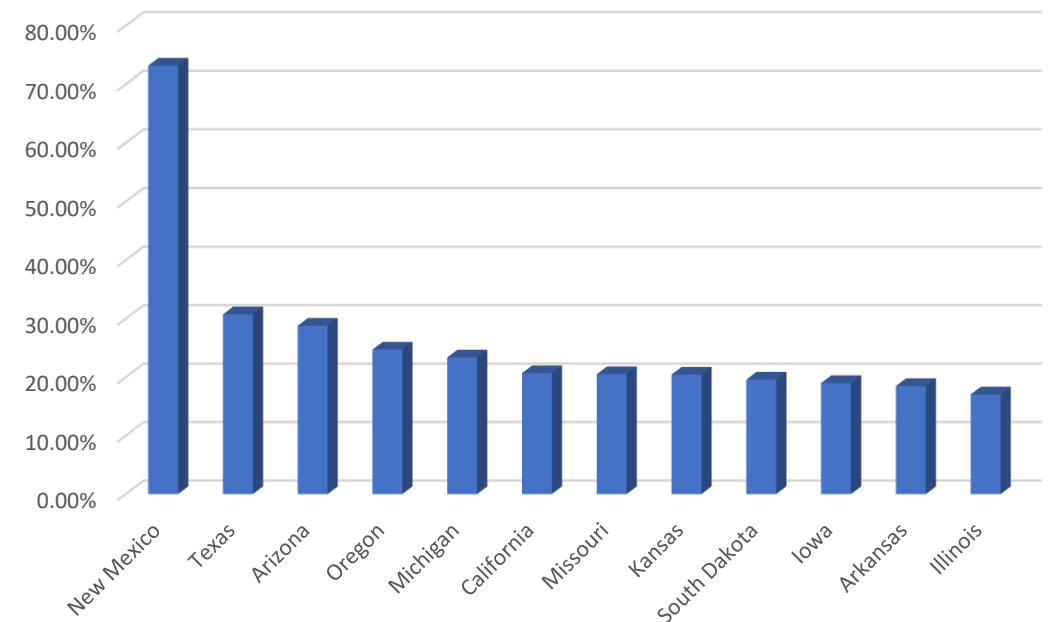
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Texas-Mexico Trade: A Story of Success

- U.S. goods and services trade with Mexico
 - Estimated 2022 total \$855.1 billion.
 - Exports were \$362.0 billion; imports were \$493.1 billion.
- Mexico became top US trading partner in February 2021
- August 2023
 - Texas is largest exporting state: 22% of all US Exports
 - #2 California has 8%
 - Mexico is main trading partner: 30% of Texas exports

Mexico Export Share August 2023



USMCA: A Brief History

- The Agreement between the United States of America, the United Mexican States, and Canada (USMCA) replaced the North American Free Trade Agreement (NAFTA) implemented in 1994
- USMCA covers of the world's largest free trade zones spanning roughly 500 million people and totaling over \$26 trillion in GDP (PPP).
- Tumultuous NAFTA renegotiations began in 2017
 - First agreement reached October 1, 2018
 - A revised version reflecting additional consultations was signed on December 10, 2019
 - Canada was last to ratify (March 13, 2020)
 - The agreement came into effect on July 1, 2020.
- Main Issues include Auto exports, Steel and aluminum tariffs, and Dairy, egg, and poultry markets



Biotech Corn

- The United States is challenging measures set out in Mexico’s February 13, 2023 decree, specifically the ban on use of biotech corn in tortillas or dough, and the instruction to Mexican government agencies to gradually substitute—i.e., ban—the use of biotech corn in all products for human consumption and for animal feed.
- On January 30, 2023, the United States sent a formal, written request to Mexico under the USMCA SPS Chapter (Article 9.6.14) for “an explanation of the reasons for” and “pertinent relevant information regarding” certain Mexican measures concerning biotechnology products.
- In March 2023, the United States [requested](#) and held technical consultations with Mexico regarding its biotechnology measures under the USMCA SPS Chapter, but the consultations did not resolve the matter.
- In June 2023, the United States [requested](#) and held dispute settlement consultations with Mexico regarding its biotechnology measures under the USMCA Dispute Settlement Chapter, but these consultations also failed to resolve the matter.
- United States Trade Representative Katherine Tai announced August 17, 2023 that the United States is establishing a USMCA dispute settlement panel for biotech corn



Automobile Parts

- A year ago Canada and Mexico filed a complaint against the United States over how to apply automotive-sector content requirements under the United States-Mexico-Canada (USMCA) free trade agreement, which came into effect in 2020.
- Under USMCA, 75% of a vehicle's components must originate in North America to qualify for tax-free status, but the United States disagreed with how to calculate that number.
- Mexico and Canada said if a "core part," such as the engine or transmission, has 75% regional content, the USMCA allows that number to be rounded up to 100% when calculating the broader requirement for an entire car's regional content.
- The United States said "core part" content should not be rounded up when determining the content of the entire car.
- Canada and Mexico have won their challenge to the U.S. interpretation of content rules for autos under the new North American trade pact, a dispute panel ruled on January 10, 2023