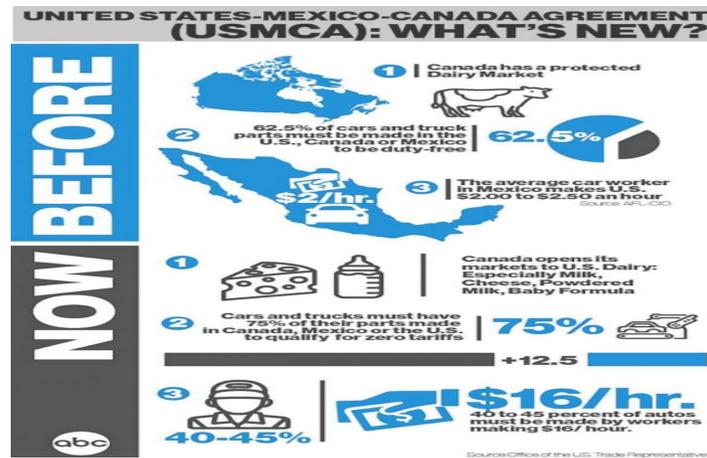


The new deals — on U.S.-Mexico-Canada pact



After more than a year of intense negotiation, the U.S, Canada and Mexico managed to arrive at a revised trade agreement to replace the quarter-century-old North American Free Trade Agreement (NAFTA).

A new free trade pact USMCA replaces the 25-year-old North American Free Trade Agreement (NAFTA), which Donald Trump threatened to cancel previously. The deal does not do anything new to promote the cause of free trade among the North American nations but it achieves the objective of averting any significant damage to the international trade system.

USMCA: United States-Mexico-Canada Agreement:

Canada and U.S reached a deal to a new free trade pact. This is known as USMCA, that means, United States-Mexico-Canada Agreement. It gives U.S. greater access to the dairy markets of Canada and allows extra imports of Canadian cars.

Now the U.S.A says, USMCA will result in freer markets, fairer trade and robust economic growth.

Under the new deal, Canada will have to allow American dairy producers to compete against locals, a move that will favour Canadian consumers.

The U.S. agreed to retain Chapter 19 and Chapter 20 dispute-settlement mechanisms as a compromise, which Canada quite often used to resolve the trade conflicts and to defend against U.S anti-dumping and countervailing duties.

USMCA includes stronger protections for workers, tough new environmental rules. It also provides “ground breaking” intellectual property protections. It adds provisions to prevent “manipulation” of the trade rules, including covering currency values, and controls over outside countries trying to take advantage of the duty-free market.

In addition, 40% of the car parts of vehicles produced in the three Countries must be made in North America. The minimum wages should be \$16 an hour.

This is the best anyone could possibly hope for in the midst of the global trade war that began this year.

What’s new in the deal, and how big of an impact will it have?

USMCA headlining items from the new agreement:

- **Country of origin rules**

Under the new deal, cars or trucks must have 75 percent of their components manufactured in Mexico, the US, or Canada to qualify for zero tariffs.

The goal is to boost auto parts manufacturing in North America by forcing car companies to use parts made here versus cheaper parts from Asia.

- **Labour provisions**

The most striking difference from NAFTA involves protections for workers in all three countries.

The new agreement calls for 40 to 45 percent of automobile content to be made by workers who earn at least \$16 an hour by 2023. This provision specifically targets Mexico and is meant to bring wages there up to US and Canadian standards.

In addition, Mexico has agreed to pass laws giving workers the right to real union representation, to extend labor protections to migrants workers (who are often from Central America), and to protect women from discrimination.

These are much-needed reforms, and they address a lot of concerns that US labor unions have long had about NAFTA.

- US farmers get more access to the Canadian dairy market

Canada uses what's called a supply management system for dairy (and eggs and poultry), which closely regulates how much of each product can be produced and places strict tariffs and quotas on those items when they're shipped into the country.

The US got Canada to open up its dairy market.

- Intellectual property protections and digital trade provisions

This is a win for the United States. The new agreement extends the terms of copyright from 50 years beyond the life of the author to 70 years beyond the life of the author.

The USMCA aims to fix that by adding new provisions to deal with the digital economy — that is things like e-commerce and data.

These new digital provisions include things like no duties on products purchased electronically, such as music or e-books, and protections for internet companies so they're not liable for content their users produce.

- Canada preserves the special trade dispute mechanism and Investors can't sue governments

In the original NAFTA, a provision known as Chapter 11 gave investors the ability to sue governments over changes to policies that they claim would harm future profits.

It's been eliminated for the US and Canada and has been restricted in Mexico except for a few sectors, including energy.

Trump gets a win on his trade strategy — but what does it all mean?

Some changes are substantial, such as the provisions about automobiles, but the core of NAFTA remains intact.

They have fixed some of the problems with NAFTA, they have brought it up to date, they have expanded the scope of the agreement, but they have in no way fixed what seemed to be the fundamental problems of NAFTA by President Trump.

Because, USMCA has introduced digital trade protections and other updates, but it perhaps didn't go far enough.

Many of the more forward-looking agreements, such as digital trade protections, were borrowed from the TPP.

But, the question is how long this strategy can last, and whether it will work on harder trade deals, for instance with Japan and the European Union.

USMCA impact on India:

The biggest impact, according to the US trade officials, is going to be in the auto section that stipulates conditions such as manufacturing of greater portion of vehicles in the three countries and with high-wage labour in the US and Canada.

Announcing the USMCA, Mr Trump signalled he would now extend his 'all or nothing' approach to resetting trade ties with the European Union, China, Japan and India.

Terming India "the tariff king", he said it had sought to start negotiations immediately.

India's trade negotiators will now have their task cut out if they want to protect exporters' access to one of the country's largest markets for its services and merchandise.