



## U.S./MEXICO PRELIMINARY NAFTA AGREEMENT

The Office of the United States Trade Representative (USTR) has issued three separate [Press Releases](#) that provide fundamental information on a preliminary agreement in principle between the United States and Mexico to update NAFTA. No detailed documentation has been released publicly, and press reports vary widely as to the substance. Clients should budget now for significant expense to review how existing operations will be impacted.

- Motor Vehicle Production. The content standards will change from 62.5% to 75% over a period of 3 years. There are reports that Research and Development and Headquarters expense will be included and that the “tracing list” has been dropped.
  - Motor Vehicle Production Wages. 40-45% of auto-content must be made by workers earning at least \$16/hour. There are reports that the \$16/hour standard is not just in North America, but also part suppliers in Europe, Japan, Korea, and elsewhere.
- Steel/Aluminum. No mention is made of terminating the current Section 232 Steel and Aluminum Tariffs.
- Rules of Origin. Rules of Origin generally will increase for all manufactured products. No details are provided. Stronger rules of origin enforcement is noted.
- Intellectual Property. Significant increases in Intellectual Property controls.
- Digital Trade. All Digital Trade will be Customs duty-free.
- Agriculture. Zero tariffs will remain on agricultural products.
- Labor/Environment. The agreement includes provisions to increase Mexican labor rights and strengthen environmental obligations.
- Dispute Settlement. A wide range of dispute settlement arrangements in the current NAFTA would be eliminated. It would be retained for oil, gas, energy and infrastructure only.
- Sunset Provision. The U.S. wanted a Sunset Provision after 5 years; the agreement has a provision for 16 years.

An arrangement with Mexico had to be reached by August 31 in order that the current Mexican President could sign the agreement. Details will evolve. Canadian Senior Trade Officials arrived in Washington this morning and are in negotiations at USTR this afternoon. Unlike the 2018 Trade Remedies, the Agreement must be approved by Congress. Exactly how all of this evolves and whether the Friday deadline will be met is not known.

Please contact [Marshall Miller](#), [Sean Murray](#), [Brian Murphy](#), or [Linda King](#) with any questions.

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