

USMCA



TOWARDS A NEW ERA OF INTEGRATION
OF THE **NORTH AMERICA MARKET**

UNIFORM REGULATIONS

GOODRICH



RIQUELME



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UNIFORM REGULATIONS

The Mexican Government, through the Ministry of Economy, reported that on 3rd June 2020, it concluded the negotiations technical level of the Uniform Regulations, referred to in USMCA's Article 5.16 with the competent authorities of the United States of America and Canada.

The aforementioned section instructs the parties of the Free Trade Agreement to adopt and/or maintain Uniform Regulations through their laws or regulations, which refer to the interpretation, application and administration of the following USMCA's Chapters:

- Chapter 4. Rules of Origin.
- Chapter 5. Origin Procedures.
- Chapter 6. Textile and Clothing goods.
- Chapter 7. Customs Administration and Trade Facilitation

In that sense, the Uniform Regulations' purpose is regulating the interpretation, application and administration of the mentioned Chapters of the USMCA; consequently, these Uniform Regulations have as main objective to provide the necessary elements for the due interpretation and application of the legal provisions foreseen in the mentioned Chapters of the USMCA.

Likewise, the Uniform Regulations determine how the legal provisions foreseen in the mentioned USMCA's Chapters should be interpreted and applied, providing elements for a better understanding and compliance with the Rules of Origin to confer to the goods the origin of the region of the countries USMCA's parties, as well as the origin verification procedures, granting producers, exporters and importers of goods under USMCA, legal certainty and also understanding the application of the mentioned provisions.

These Uniform Regulations provide the elements that allow the interpretation, application and administration of the mentioned USMCA's Chapters; moreover, these Uniform Regulations were highly expected provisions by the Parties' Automotive Sector, inasmuch as they clarify compliance with the Rules of Origin for said sector and the new procedures for the certification of origin of the goods in the treaty's legal framework.

RULES OF ORIGIN FOR THE AUTOMOTIVE SECTOR.

These Uniform Regulations, provide the elements to interpret, apply and administrate the methodology foreseen in the new Trade Agreement, referring to the points of the Rules of Origin of the Automotive Sector, regarding the following concepts:

- ✓ They determine the interpretation, application and administration of the 75% RCA (Regional Content Value) that vehicles must contain in order to be considered as originating from the treaty's territory.
- ✓ They determine the interpretation, application and administration of a new element: VCL (Value of Labour Content), meaning that between 40% and 45% of the vehicles must be manufactured by individuals earning USD \$16.00 dollars per hour, at least.
- ✓ They determine that 70% of steel and aluminum used in the production of a vehicle must

come from the USMCA's parties.

- ✓ They determine that 75% of the vehicles' commercial value must come from the USMCA region. This value includes the following vehicle components: engines, chassis & body, transmission, axles, suspension, steering system and batteries, among others.

Thereafter, in order to carry out a correct analysis of the application of a Specific Rule of Origin in the case of goods from the automotive sector, it will be necessary to analyse both the USMCA's provisions, including its Annexes, as well as the provisions of the Uniform Regulations.

CERTIFICATION OF ORIGIN AND PROCEDURES FOR VERIFICATION OF ORIGIN

These Uniform Regulations regulate the interpretation, application and administration of the new certification of origin of the goods in the legal framework of the USMCA, which will comprise invoices or any other commercial document and must contain the minimum elements established in USMCA's Annex 5-A.

Similarly, these Uniform Regulations

regulate the interpretation, application and administration of the certification of origin by the importer, exporter or producer of the goods.

These Uniform Regulations regulate the interpretation, application and administration of the procedures of verification of origin provided in the USMCA to determine if a good actually originates from the countries Party of the USMCA, due to the compliance of the Specific Rule of Origin applicable to such good.

Before a procedure of verification of origin, it will be necessary to review each particular case and to prove that the goods are originated from the countries Party to the mentioned Free-Trade Agreement and to avoid the suspension of the preferential tariff treatment of the goods.



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