BPE Global
137 Pierce Street
San Francisco, CA 94117

**T** 1-415-845-8967
**E** info@bpeglobal.com
bpeglobal.com

## Gaining Supply Chain Efficiencies through the implementation of USMCA

Julie Gibbs
DIRECTOR

We're closer than ever before to seeing the U.S. Mexico Canada Agreement (USMCA) getting implemented. USMCA has been ratified by Mexico, overwhelmingly approved by the U.S. Senate and signed by President Trump. Canada's parliament just started reviewing it but will likely endorse it. The new additions and changes to the USMCA improve supply chain efficiencies by embracing a more modern systematic approach and use of information technology that were not present in the old NAFTA.

USMCA incorporates new and updated sections on topics such as intellectual property rights, enforcement, digital trade and labor rights based on the original North American Free Trade Agreement (NAFTA). The Agreement addresses many existing cross border issues and red tape. USMCA introduces the concept of a single window system. The original NAFTA did not address any systematic requirements among the parties. While USMCA not only requires each party to have a single window system, it also requires that any person using the system must be able to view the status of the release of their goods and which government agency is holding up their freight. It also encourages the parties to use World Customs Organization standards and develop systems that are like the other party's system. It also requests that the parties "streamline its single window system, including by adding functionality to facilitate trade, improve transparency, and reduce release times and costs".

Another improvement is an increase to the de minimis amount, exemption from customs duties and expedited release of these shipments based on minimum documentation or a single submission of information. For Canada, the de minimis levels went from $15(CAD) to $40 (CAD), no duty or taxes payable and $150 (CAD), no duty payable but subject to taxes (GST, HST, DTA, etc.). For Mexico, there is no change in the original amount of $50 (USD), no duty or taxes payable but they added a level up to $117 (USD), no duty payable but subject to taxes (GST, HST, DTA, etc.). For the U.S., there was no change to the current $800 USD level that was put in place back in 2016. This means small parcel shippers will be able to clear more low dollar shipments faster and small businesses will get a break.

The uniform treatment of imports across ports and border crossings is also emphasized in the Agreement. The Agreement states that each Party shall apply its customs procedures related to the importation, exportation, and transit of goods in a manner that is "transparent, predictable, and consistent throughout its territory." This includes the application of its customs procedures, including determinations on tariff classification and customs valuation of goods. As many importers know in the U.S., one port could treat the tariff classification or the value of an item differently than another port so there is emphasis for the ports to work together when there is a discrepancy.

The Agreement almost eliminates the need for any hardcopy documentation to be presented for customs clearance. For instance, electronic document submissions will be treated equally with paper documents. If electronic copies of shipment documentation are received by a party, they are to "minimize the extent to which paper documents are required."

There are many other areas of the USMCA that have been controversial in terms of their benefits but setting out modern standards to assist the flow of information for customs clearance will benefit the all shippers, especially small businesses, and supply chain service providers. The next few years should see improvements in these areas for the USMCA trading bloc.