

People Will Always Remember How You Made Them Feel: The Key Differences Between the Apparel Sections of the North American Free Trade Agreement (NAFTA) and the United States, Mexico and Canada Trade Agreement (USMCA)

Jordan Lucas Knox
City University of Seattle

An analysis of the key differences between the apparel sections of the United States, Mexico, and Canada Trade Agreement (USMCA) and the North American Free Trade Agreement (NAFTA) was conducted to determine the amount of progress made in the USMCA deal with regard to apparel exports. However, in evaluating the differences between the trade deals, it became clear that while the U.S. may have won the battle on content; the fight over commerce in North America could reflect the way the deal was negotiated and how that made the United States two closest trading partners feel.

Keywords: United States Mexico and Canada Trade Agreement (USMCA), North American Free Trade Agreement (NAFTA), Apparel Exports, Tariff Preference Level (TPL) Provisions, Commerce.

INTRODUCTION

While the North American Free Trade Agreement (NAFTA) has increased export opportunities from the U.S. to Canada through lower tariffs, predictable rules and reductions in trade barriers, it has also contributed to the loss of 682,900 domestic jobs with 60.8% of those positions in manufacturing (Wharton, 2014). With the delocalization of industries like apparel becoming commonplace, the renegotiation of NAFTA was a top priority for U.S. politicians and decision makers. The long-awaited confirmation of Robert Lighthizer, America's top trade official, signaled U.S. President Donald Trump's administration had begun the process of renegotiating NAFTA and hoped for talks to be complete before elections occurred in Mexico during 2018 (Panetta, 2017). While there were few observers who believed substantive negotiations of NAFTA were possible in only a few months, and U.S. President Donald Trump's administration did not meet their initial goal of securing a deal before Mexico's 2018 presidential election, a trilateral agreement on a renegotiated version of the trade deal was evidenced by the administration's recent announcement that Canada had signed on to the agreement with Mexico.

AN ANALYSIS OF THE KEY DIFFERENCES BETWEEN THE APPAREL SECTIONS OF THE UNITED STATES, MEXICO AND CANADA TRADE AGREEMENT (USMCA) AND THE NORTH AMERICAN FREE TRADE AGREEMENT (NAFTA)

An analysis of the apparel sections of the North American Free Trade Agreement (NAFTA) and the United States, Mexico & Canada Trade Agreement (USMCA) indicated that like NAFTA the USMCA extends duty-free treatment to Handmade, Traditional Folkloric or Indigenous Handicraft goods (United States Trade Representative, 2018, p. 6-2). The rules-of-origin section was modified from NAFTA to ensure the USMCA agreement would increase U.S. and regional content by requiring that inputs, such as sewing thread, pocketing, narrow elastic bands and coating be made in the USMCA region (United States Trade Representative, 2018). The main difference between the USMCA and its predecessor NAFTA, has to do with the limits for preferential treatment that each country sets for specific categories of non-originating apparel goods that it will import from the other member countries. Table 1 illustrates the limits of imports into the U.S., Canada and Mexico of preferential tariff treatment for non-originating apparel under the USMCA.

**TABLE 1
USMCA**

Preferential Tariff Treatment for Non-Originating Apparel

1. Imports into Canada: (a) Cotton or Man-made fiber apparel (b) Wool apparel	from Mexico 6,000,000 SME 250,000 SME	from United States 20,000,000 SME 700,000 SME
2. Imports into Mexico: (a) Cotton or Man-made fiber apparel (b) Wool apparel	from Canada 6,000,000 SME 250,000 SME	from United States 12,000,000 SME 1,000,000 SME
3. Imports into United States: (a) Cotton or Man-made fiber apparel (b) Wool apparel	from Canada 40,000,000 SME 4,000,000 SME ³	from Mexico 45,000,000 SME 1,500,000 SME

1. Of the 4,000,000 SME annual quantity of wool apparel imports from Canada into the United States, no more than 3,800,000 SME shall be men’s or boys’ wool suits of U.S. category 443.
2. Square meters equivalent (SME) means that the unit of measurement results from the application of the conversion factors set out in Annex 6-B (Conversion Factors) to a primary unit of measurement such as unit, dozen, or kilogram.
(United States Trade Representative, 2018).

Table 2 is the corresponding illustration for the limits of preferential treatment agreed to by the NAFTA countries for specific categories of non-originating apparel under NAFTA.

TABLE 2
NAFTA

Preferential Tariff Treatment for Non-Originating Apparel and Made-Up Goods

1. Imports into Canada:	from Mexico	from United States
(a) Cotton or Man-made fiber apparel	6,000,000 SME	9,000,000 SME
(b) Wool apparel	250,000 SME	919,740 SME
2. Imports into Mexico:	from Canada	from United States
(a) Cotton or Man-made fiber apparel	6,000,000 SME	12,000,000 SME
(b) Wool apparel	250,000 SME	1,000,000 SME
3. Imports into United States:	from Canada	from Mexico
(a) Cotton or Man-made fiber apparel	80,000,000 SME ¹	45,000,000 SME
(b) Wool apparel	5,066,948 SME ²	1,500,000 SME
(c) Goods imported under U.S. tariff item 9802.00.80.60	n/a	25,000,000 SME

¹ Of the 80,000,000 SME annual quantity of cotton or man-made fiber apparel imports from Canada into the United States, no more than 60,000,000 SME shall be made from fabrics which are knit or woven in a nonParty.

² Of the 5,066,948 SME annual quantity of wool apparel imports from Canada into the United States, no more than 5,016,780 SME shall be men's or boys' wool suits of U.S. category 443.

(United States Trade Representative, 2018).

U.S. President Donald Trump's administration has insisted that the USMCA would result in the reshoring of American manufacturing jobs, and it may; however, American jobs are not just produced by products bought by Americans, they also are created by products Americans export to other industrialized nations. Table 1 clearly reflects cuts the U.S. President Donald Trump's administration made in terms of cotton and wool, which equaled approximately 40 million and 1.1 million less apparel items the United States will allow into the country from Canada and increases in the amount of 11 million apparel items Canada, one of the United States largest apparel trading partners, made in the amount of cotton goods that they would allow from the U.S. under preferential treatment limits.

Table 3 illustrates the limits of imports into the U.S., Canada and Mexico of preferential tariff treatment for non-originating cotton or man-made fiber fabrics and made-up goods under the USMCA.

TABLE 3
USMCA

Preferential Tariff Treatment for Non-Originating Cotton or Man-made Fiber Fabrics and Made-Up Goods

1. Imports into Canada	from Mexico 7,000,000 SME	from United States 15,000,000 SME ⁴
2. Imports into Mexico	from Canada 7,000,000 SME	from United States 1,400,000 SME
3. Imports into United States	from Canada 71,765,252 SME ⁵	from Mexico 22,800,000 SME ⁶

(United States Trade Representative, 2018).

Table 4 is the corresponding illustration for the limits of preferential treatment agreed to by the NAFTA countries for specific categories of non-originating cotton or man-made fiber fabrics and made-up goods under NAFTA.

TABLE 4
NAFTA

Preferential Tariff Treatment for Non-Originating Cotton or Man-made Fiber Fabrics and Made-Up Goods

1. Imports into Canada:	from Mexico 7,000,000 SME	from United States 2,000,000 SME ¹
2. Imports into Mexico:	from Canada 7,000,000 SME	from United States 2,000,000 SME
3. Imports into United States:	from Canada 65,000,000 SME ²	from Mexico 24,000,000 SME ³

(United States Trade Representative, 2018).

Table 3 shows a 13 million item increase in the amount of non-originating cotton or man-made fiber fabrics and made-up goods, Canada will allow as imports from the United States under the USMCA compared to NAFTA. In addition, Table 3 shows a six hundred thousand item decrease in the amount of non-originating cotton or man-made fiber fabrics and made-up goods Mexico will allow as imports from the United States under the USMCA compared to NAFTA. Table 3 also illustrates that the United States will allow almost 7 million more non-originating cotton or man-made fiber fabrics and made-up goods from Canada and will allow 1.2 million items of the same category as imports from Mexico under the USMCA compared to NAFTA.

Table 5 illustrates the limits of preferential treatment agreed to by the NAFTA countries for specific categories of non-originating cotton or man-made fiber spun yarn under the USMCA.

TABLE 5
USMCA

Preferential Tariff Treatment for Non-Originating Cotton or Man-made Fiber Spun Yarn

1. Imports into Canada	from Mexico 1,000,000 kg	from United States 1,000,000 kg
2. Imports into Mexico	from Canada 1,000,000 kg	from United States 950,000 kg
3. Imports into United States	from Canada 6,000,000 kg ⁷	from Mexico 700,000 kg

(United States Trade Representative, 2018).

Table 6 is the corresponding illustration for the limits of preferential treatment agreed to by the NAFTA countries for specific categories of non-originating cotton or man-made fiber spun yarn under NAFTA.

TABLE 6
NAFTA

Preferential Tariff Treatment for Non-Originating Cotton or Man-made Fiber Spun Yarn

1. Imports into Canada:	from Mexico 1,000,000 kg	from United States 1,000,000 kg
2. Imports into Mexico:	from Canada 1,000,000 kg	from United States 1,000,000 kg
3. Imports into United States:	from Canada 10,700,000 kg	from Mexico 1,000,000 kg

(United States Trade Representative, 2018).

Table 5 reflects a fifty-thousand item decrease in the amount of non-originating cotton or man-made fiber spun yarn Mexico will allow from the United States under the USMCA compared to NAFTA. In addition, Table 5 represents a 4.7 million item decrease in the amount of non-originating cotton or man-made fiber spun yarn, the United States will allow as imports with preferential treatment from Canada under the USMCA compared to NAFTA. In conclusion, Table 5 also illustrates a three hundred thousand item reduction in the amount of non-originating cotton or man-made fiber spun yarn, the United States will allow as imports with preferential treatment from Mexico under the USMCA compared to NAFTA.

CONCLUSION

Carl W. Buehner a high level official in the Church of Jesus Christ of Latter-Day Saints once stated, they may forget what you said — but they will never forget how you made them feel (Quote Investigator, 2014). An analysis of the key differences between the apparel sections of the United States, Mexico, and Canada Trade Agreement (USMCA) and the North American Free Trade Agreement (NAFTA) demonstrated that it wasn't so much about the content of the deal, even though it seems the U.S. may have won that battle. It was more about the way the deal was negotiated and how that made our two closest trading partners feel. The growing discontent among Canadians and ambivalence among the Mexican electorate, seem to indicate that while Americans may temporarily have the upper hand in terms of the content of the deal, the long term effects of the way this deal was negotiated, will have a lasting impact on commerce in North America for years to come (Agren, 2018; Campion-Smith, 2018).

In fact, 45 percent of Canadians say they are disappointed or very disappointed with the USMCA, while only 34 percent say they are pleased or very pleased (Agren, 2018). Moreover, 50 percent of Canadians say the Canadian government gave up too much leverage to strike a deal with the U.S. and Mexico according to a recent study (Angus Reid Institute, 2018). While Mexico exports 80 percent of its products to the United States, the USMCA seemed to revive promises made by the new administration, to begin exchanging more goods with Central and South America, although geography favors northward trade and Mexico's infrastructure seems unprepared to handle this task at the current time (Campion-Smith, 2018).

DISCLAIMER

This article was written in Jordan Lucas Knox's personal capacity as a Doctoral Candidate at City University of Seattle and in no way reflects the beliefs, opinions or policies of the U.S. Department of State.

REFERENCES

- Agren, D. (2018). In Mexico, the USMCA means life goes on. *Maclean's*. Retrieved from <https://www.macleans.ca/news/world/in-mexico-the-usmca-means-life-goes-on/>
- Angus Reid Institute. (2018). USMCA: Canadians ambivalent about “New NAFTA”, feeling bruised by U.S. Retrieved from <http://angusreid.org/usmca-new-nafta/>
- Campion-Smith, B. (2018). Canadians not sold on merits of new trade deal with the U.S. and Mexico, poll reveals. *The Star*. <https://www.thestar.com/politics/federal/2018/10/23/canadians-not-sold-on-merits-of-new-trade-deal-with-the-us-and-mexico-poll-reveals.html>
- Panetta, A. (2017). Donald Trump ready for a 'massive' renegotiation of NAFTA. *The Canadian Press*. Retrieved from http://www.huffingtonpost.ca/2017/05/11/trump-massive-renegotiation-nafta_n_16562238.html
- Quote Investigator. (2014). *They May Forget What You Said, But They Will Never Forget How You Made Them Feel*. Retrieved from <https://quoteinvestigator.com/2014/04/06/they-feel/#return-note-8611-1>
- U.S. International Trade Representative (2018). *U.S.-Mexico Trade Facts*. Retrieved from <https://ustr.gov/countries-regions/americas/mexico>
- U.S. International Trade Representative (2018). *USMCA*. Retrieved from <https://ustr.gov/sites/default/files/files/agreements/FTA/USMCA/06%20Textiles%20and%20Apparel.pdf>
- U.S. International Trade Representative (2018). *USMCA: Chapter Summaries*.
- U.S. International Trade Representative (2018). *NAFTA*. Retrieved from <https://www.nafta-sec-alena.org/Home/Texts-of-the-Agreement/North-American-Free-Trade-Agreement?mvid=1&secid=b6cf8590-4365-472a-8732-f5bdb6ab52a0#Sch6.b.1>
- Wharton. (2014). *NAFTA, 20 Years Later: Do the Benefits Outweigh the Costs?* University of Pennsylvania. Retrieved from <http://knowledge.wharton.upenn.edu/article/nafta-20-years-later-benefits-outweigh-costs/>