



Expanding Free Trade In North America With USMCA

Key Talking Points

- The United States–Mexico–Canada Agreement (USMCA) is poised to bring improvements to the North American dairy trade by expanding exports and bringing down trade barriers, benefiting America’s dairy farmers and processors.
- Congress must quickly ratify this treaty and work with the Administration to ensure its provisions are implemented with good faith and enforced accordingly.
- However, the full benefits of the USMCA will not be realized until the Section 232 tariffs on steel and aluminum are lifted and Mexico removes their retaliatory tariffs on dairy products.

Background

Trade between the United States, Mexico and Canada has operated under the terms of the North American Free Trade Agreement (NAFTA) since 1994.

- NAFTA has been essential to the U.S. dairy industry’s remarkable success in Mexico. Mexico is currently the largest export destination for U.S. dairy products, with America commanding 73% of Mexico’s import market and \$1.4 billion in sales in 2018.
- Only limited market access to Canada is granted under NAFTA and Canada’s damaging trade practices have resulted in lost revenues and jobs for the U.S. dairy industry.
 - The Canadian dairy industry is highly protected by its government, with most major U.S.-produced dairy products facing tariffs between 200 and 300%.

Current Trade Situation

President Trump signed the USMCA in November 2018, which will require ratification by the legislatures of all three nations before taking effect. The U.S. dairy industry urges Congress to move quickly to ratify this treaty, as it will restore certainty to U.S.-Mexico trade relations and make improvements to U.S.-Canadian dairy trade.

- The USMCA preserves U.S. dairy’s ability to ship to Mexico duty-free.
- While the USMCA does not address the full range of Canada’s problematic tariff and non-tariff policies, it has made important advances, including reforms to Canada’s controversial dairy pricing system.
 - Implementation will be critical to the USMCA’s success in ensuring Canada’s compliance.
 - Initial industry estimates anticipate the U.S. gaining approximately \$70 million annually in net dairy product exports into Canada.
- The USMCA established a strong sanitary and phytosanitary chapter, as well as provisions aimed at tackling the misuse of geographical indications.

What Actions are USDEC and NMPF Taking?

- USDEC and NMPF are conducting extensive outreach urging policymakers to support swift ratification and are asking its members to do the same; NMPF-USDEC staff played a critical role in providing continual confidential technical input to U.S. negotiators.
- [Sent a letter to USTR and USDA](#) highlighting critical dairy trade elements that should be addressed in USMCA negotiations.
- [Submitted comments](#) to the U.S. International Trade Commission, outlining our expectations and evaluation of key elements of the USMCA.