

## Ed Lebow, Larry Pascal and Alberto de la Pe'a in Latin America Advisor: Will the USMCA Function Well Amid the Pandemic'

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*The United States-Mexico-Canada Agreement, or USMCA, is set to enter into force on July 1, prompting automakers in Mexico to rush to meet new regional content rules while facing additional challenges brought on by the coronavirus pandemic. How well will the USMCA function in the present regional economic context? How prepared are different sectors in the three countries, including Mexico's auto industry, for changes under the new trade deal given the current circumstances? To what extent does the USMCA provide an opportunity to help the three North American economies recover quickly from the aftermath of the COVID-19 health crisis?*

In an era in which globalization and free trade are being challenged, the upcoming entry into effect of the USMCA represents an important victory for North American trade.

The USMCA updated a historic but dated NAFTA in various areas such as digital trade and intellectual property, and it addressed criticism as to enforcement of environmental and labor standards in Mexico. The entry into effect of the USMCA nevertheless comes at an ominous time due to a worldwide pandemic, a major disruption in the global economy and significant trade and geopolitical tensions between China and the United States. In particular, the automotive industry faces significant challenges, such as a change to a more mobility-focused industry, the transition from gas to electric-powered vehicles and a growing consumer preference in the United States for larger vehicles.

Moreover, the automotive sector is arguably the sector that will see the most dramatic change under the USMCA as rules of origin are tightened to better protect workers in the United States and Canada.

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