HOUSE COMMITTEE ON WAYS & MEANS
CHAIRMAN RICHARD E. NEAL

Trump Administration USMCA Implementation Report Card

After an intensive renegotiation of key terms of United States-Mexico-Canada Agreement (USMCA) between House Democrats and the Trump Administration, revisions were agreed to between the United States, Mexico, and Canada in December 2019; the USMCA Implementation Act was approved by Congress with historic levels of bipartisan, bicameral support; and the USMCA officially entered into force on July 1, 2020. Nine months since the USMCA Implementation Act was enacted and four months since the USMCA took effect, here is where the Trump Administration's USMCA implementation and enforcement efforts stand:

GRAVE CONCERNS – labor implementation on the wrong track

- Forced Labor: The USMCA established the new gold standard on forced labor, requiring all parties to prohibit the importation of goods made with forced labor. To ensure adequate enforcement in the United States, the USMCA implementing bill created the Forced Labor Enforcement Task Force to oversee and guide U.S. enforcement efforts in Mexico, Canada, and the rest of the world.

  Unfortunately, the Administration failed to establish the Task Force on time and the Task Force still has not issued its first report, which is now two months overdue. Instead, the Administration continues its entirely inadequate enforcement approach that barely makes a dent in addressing the problem.

- Mexico Labor Funding: In order for Mexico's labor reform to become a reality for workers on the ground in Mexico, adequate funding for its implementation is key. The USMCA implementing bill includes strong provisions to ensure that Mexico provides funding to carry out its reform. Congress will be closely following Mexico's 2021 budget process in the coming months.

  The USMCA implementing bill also provided $180 million for the Department of Labor (DOL) to support the labor reform and ensure that workers in Mexico are effectively able to exercise their rights in the workplace. DOL has only begun to issue $40 million of those funds to date, and only a fraction of that money is going to directly support worker organizing. In addition, while other earlier short-term funding was directed to building workers' rights capacity in the auto and auto parts sector, initial USMCA funding for the sector was specifically excluded by the Administration. **This languid approach is entirely inadequate and contrary to clear congressional guidance.**

CONCERNS – enforcement tools not being used

- Labor Enforcement: The USMCA provided unprecedented resources for the Office of the United States Trade Representative (USTR) and DOL to use to enforce the new labor standards in the USMCA. The purpose was to create a new paradigm for labor enforcement. These resources mean that instead of waiting for stakeholders to bring cases to the government, the U.S. government can adopt its own proactive approach to monitoring and enforcement.

  While both USTR and DOL have slowly added staff, it appears that the agencies are still in reactive posture, waiting for someone to bring them cases. The USMCA was supposed to shift the burden onto the government. **We're still waiting on the first enforcement action of any kind, and the preparation of a complaint has largely been left to organized labor and the private sector, even though we know that workers in Mexico are being denied their basic rights on a daily basis**. Meanwhile, union leaders and labor lawyers who try to exercise those basic rights face violence, arrest and detention as a result. This must change, and we've given USTR and DOL the resources to do it.

- Environment Enforcement: The USMCA implementing bill provided historic resources and tools for the U.S. government to enforce the USMCA environment obligations, including ensuring that Mexico enforces its environmental laws. As with labor enforcement, the motive was to elevate environmental enforcement as a trade enforcement priority for both sustainability and economic reasons. **We await utilization of the resources and tools to ensure that Mexico meaningfully addresses ongoing environmental harms, such as the trade of illegally taken wild fauna and flora, practices of illegal, unreported and unregulated fishing, and pollution of the air, water and land.** We also eagerly observe our USMCA partners' efforts to meet their climate commitments.

ISSUES BEING CLOSELY MONITORED

- Auto Rules: The Trump Administration claims the USMCA automotive rules of origin are a game changer that will reverse the flow of jobs from the United States to Mexico. The Administration has stated the rules will lead to billions of dollars of new investments in the United States and create tens of thousands of jobs in the U.S. auto sector, but we have yet to see evidence that supports these claims. In fact:

  - **Automakers continue to make significant investments in Mexico and General Motors announced several U.S. plant closures as USMCA parties finalized the agreement; and**

  - **USTR has indicated that automobile manufacturers would have to make "at most minor changes" to meet the USMCA automotive rules. Further, the Department of Labor has cited research suggesting "many vehicle models**

> **meet the [new labor value content] LVC requirements (and will have few new costs).”**

We will hold the Trump Administration accountable for its yet unproven assertions about the benefits of the USMCA for U.S. auto workers and manufacturers.

- Dairy: USMCA implementation requires Canada to eliminate discriminatory Class 6 and Class 7 milk pricing programs within six months of entry into force of the agreement and to meet other commitments intended to promote fair market access for U.S. dairy products. Unfortunately, Canada’s recent allocation of its tariff-rate quotas (TRQs) under the USMCA appears to undermine the intent of the USMCA dairy provisions by limiting the ability of U.S. dairy exporters to make full use of the agreement's market access opportunities. **We encourage USTR to address current and any future actions by Canada that would unfairly disadvantage U.S. dairy farmers and products.**