

# USA/MEX/CAN Cross Border Logistics Update



**John Cruikshank, Canada Consul General in Chicago**

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# Freeing Trade: Canada and Wisconsin USMCA, the New NAFTA Event

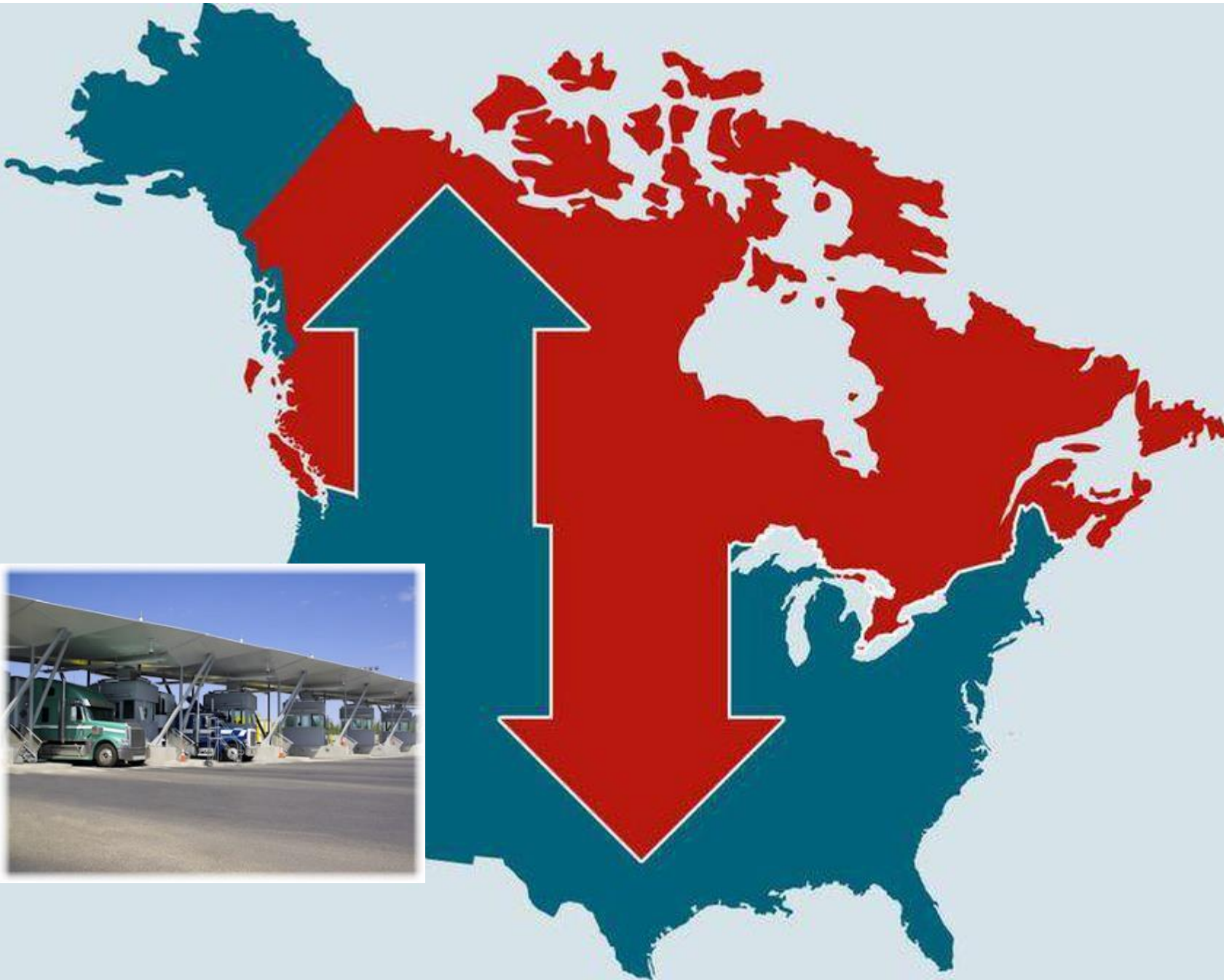
**The Honourable John Cruickshank**  
**Consul General**

Consulate General of Canada in Chicago

November 14, 2019



**Canada and the United States have the largest trading relationship in the world.**



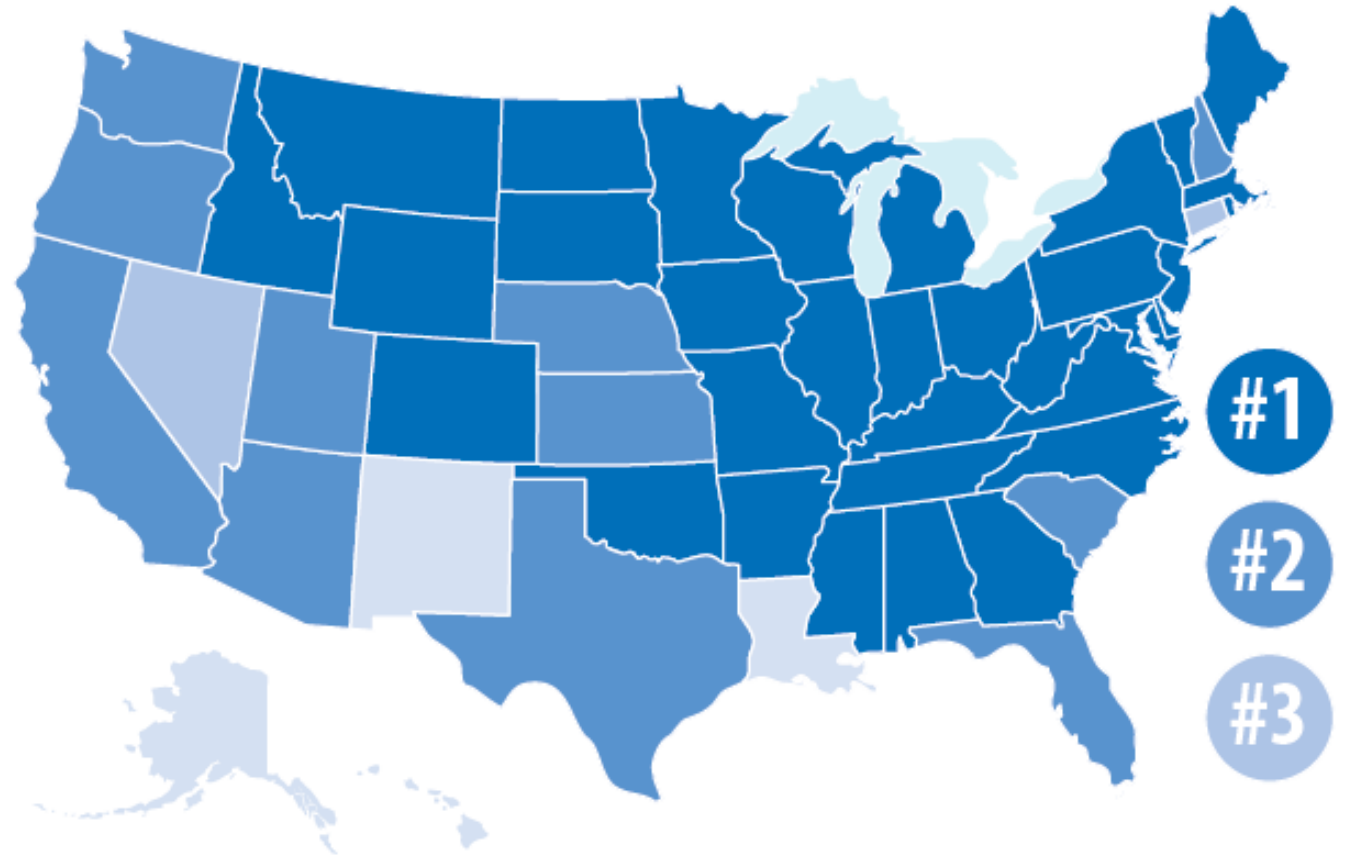


# Canada-US Trade Relationship



- U.S. goods and services trade with Canada totaled an estimated \$714.1 billion in 2018.
- U.S. exports of Goods and Services to Canada supported an estimated 1.6 million jobs in 2015
- U.S. goods exports to Canada in 2018 were \$298.7 billion, up 197% from 1993 (pre-NAFTA).
- U.S. exports of services to Canada were an estimated \$61.8 billion in 2018, up roughly 263% from 1993 (pre-NAFTA).

Canada is the  
**#1 CUSTOMER**  
for most states





# Canada-Wisconsin Trade Relationship



Wisconsin

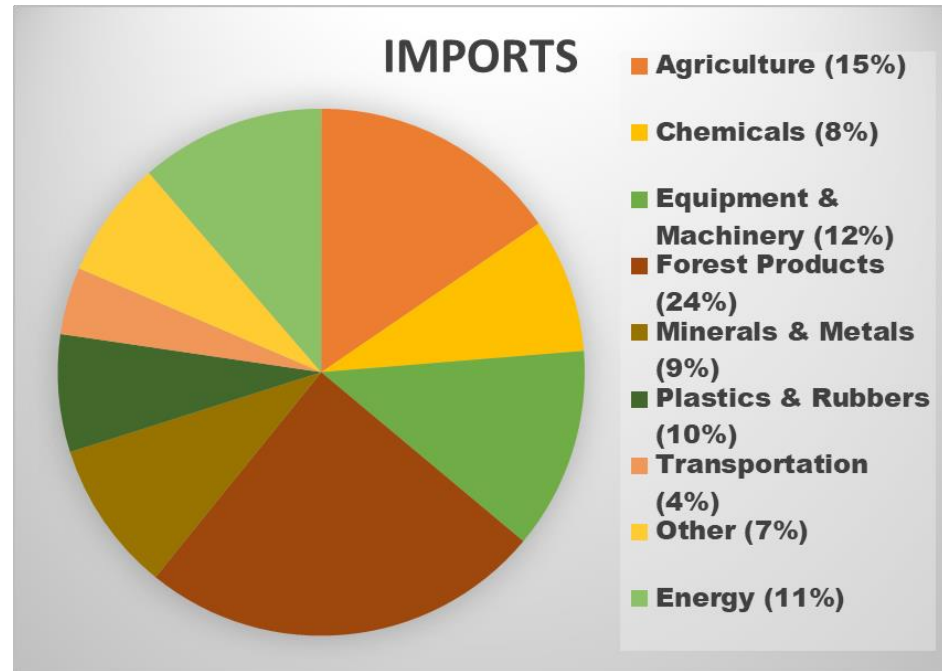
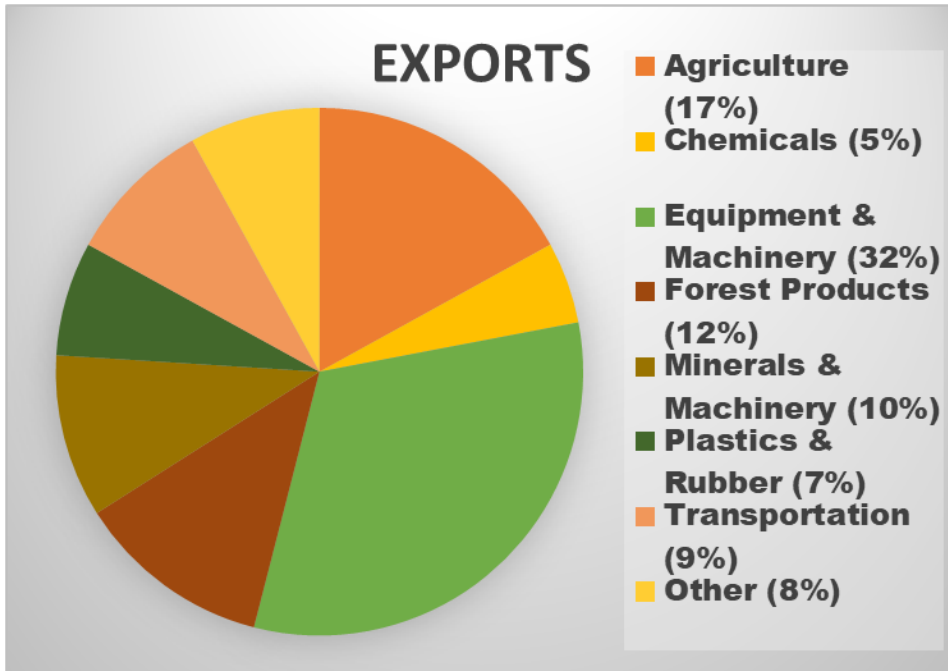
**EXPORTS \$7.0 BILLION**

in Goods to Canada Annually

Wisconsin

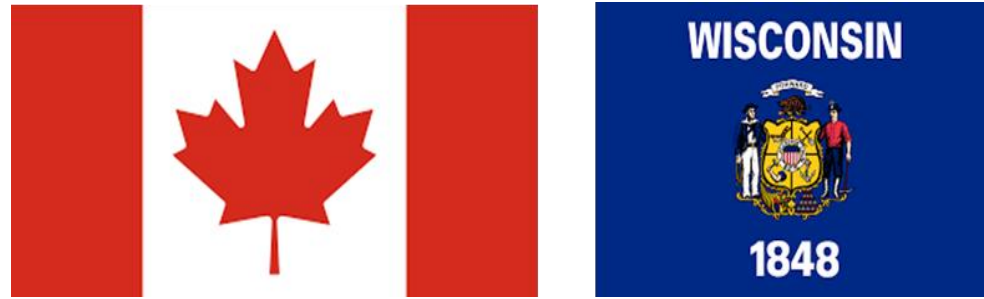
**IMPORTS \$4.8 BILLION**

in Goods to Canada Annually



**\$2.2 BILLION SURPLUS**

# Canada-Wisconsin trade relationship



Canada buys more of Wisconsin's goods than



**COMBINED**

# Before & After NAFTA





# USMCA/CUSMA

- Preserves free trade in North America
- Modernized to address new and emerging industries
- Reduction of government “red tape”



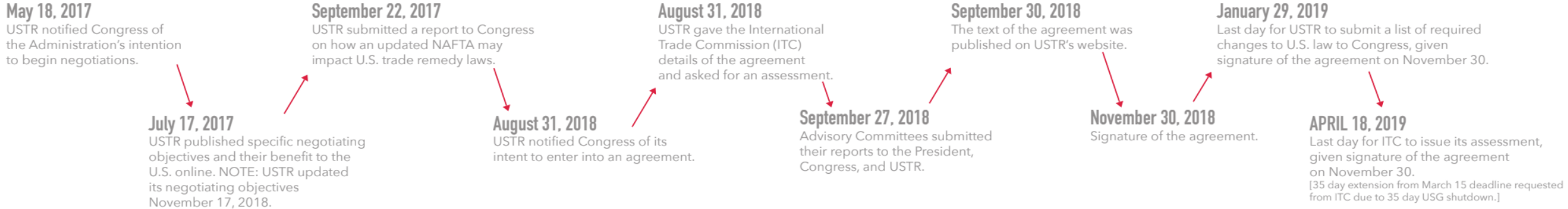
# USMCA/CUSMA

- **Update auto rules of origin**
- **New chapters on labor and the environment**
- **Increased market access for agriculture**



# U.S. TRADE PROMOTION AUTHORITY TIMELINE FOR USMCA APPROVAL

## Completed TPA Statutory Requirements



## Congressional Approval Process to Implement USMCA

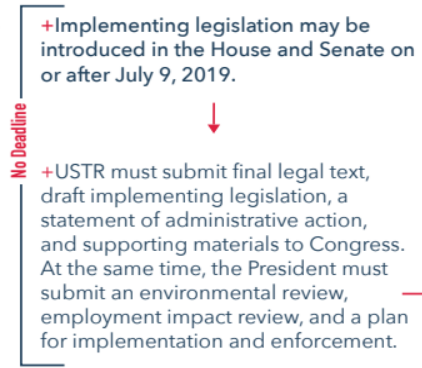
The Administration submits an implementing bill to Congress, and this is subsequently introduced in the House and Senate. Until this occurs, Congress cannot take any further action toward approval of the USMCA.

The House Ways & Means Committee and Senate Finance Committee may hold mock mark-ups to show support for Congressional priorities.

### 30 calendar days before submitting implementing legislation

The Administration gave Congress a draft statement of administrative action and final legal text. This occurred May 30, 2019

- \*The House and Senate may act concurrently, expediting the process, as long as House passage occurs before Senate passage.
- \*A legislative day can be longer than a single calendar day that the House or Senate is in session.



### A maximum of 45 legislative days after the Administration submits implementing bill to Congress

Ways & Means Committee must vote on the bill.

### A maximum of 15 legislative days after Ways & Means Committee action

The House must vote on the bill.

### A maximum of 15 legislative days after the House vote

The Finance Committee must vote on the bill.

### A maximum of 15 legislative days after Finance Committee action

The Senate must vote on the bill. If successful, the President may sign it into law.

### The President signs legislation into law

### 30 calendar days before the law is enacted

The Administration must notify Congress that other parties to the agreement have taken the necessary measures to comply with the agreement.

**USMCA Ratified in U.S.**



# Thank you!



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# USMCA VS NAFTA

- Cross Border  
Transportation by Truck  
Current State

**DON ADAMS**  
**SALES MGR. CFI**  
**NOVEMBER 14, 2019**



# WILL USMCA BENEFIT THE TRUCKING INDUSTRY

- USMCA mandates that North American-made vehicles increase North American-made part content from 62.5% under NAFTA, to 75% under USMCA.
  - U.S. Trade Representative's office feel this will bring back some overseas manufacturing and production jobs lost overseas. It will also increase the number truck shipment from parts to vehicle manufacturers.
- Those gains will be offset though by trucking/rail losses from USA ports
  - These boomed as manufacturers outsourced their work overseas.
  - The increase in auto parts made in North America will reduce the number of containers transferred from ship to truck, especially on the West Coast and in Texas.
- Counter-intuitive analysts feel the new parts requirements could drive more manufacturing overseas - penalties and tariffs notwithstanding.
  - US Trade policy would then counter with even larger tariffs (think 10-fold).
- The most positive USMCA trucking development is the partial opening of Canada's dairy market to the United States.
  - Canada allows more U.S. dairy, poultry and eggs to come in, while U.S. accepts more Canadian dairy, peanuts, peanut products, and some sugar into its markets.

# HOW IMPORTANT IS OUR TRADE WITH MEXICO

- ▶ The economies of Mexico and the United States are among the most integrated in the world, with 80 percent of Mexican exports moving north to US companies and consumers. The US is Mexico's largest trading partner, and **at points this year Mexico outstripped China to be the largest US trading partner.** JOC.com
- ▶ These positive trends continue even in 2019," when the Mexican and US economies are slowing.
  - "Even though the pace of the Mexican economy has slowed substantially from 2018, growth has almost been halved," - Paul Bingham, Director of Transportation Consulting, IHS Markit.
- ▶ That hasn't slowed cross-border trade yet. The value of cross-border US-Mexican trade by all transportation modes rose 4.6 percent to \$54.5 billion in May 2019 (US Bureau of Transportation Statistics)

# BY THE NUMBERS

➤ ANNUAL TRAVELERS 372 million

➤ ANNUAL NUMBER OF AUTOS 150 million

➤ ANNUAL CARGO TRUCKS 12.1 million

➤ ANNUAL VALUE OF GOODS 616 Billion

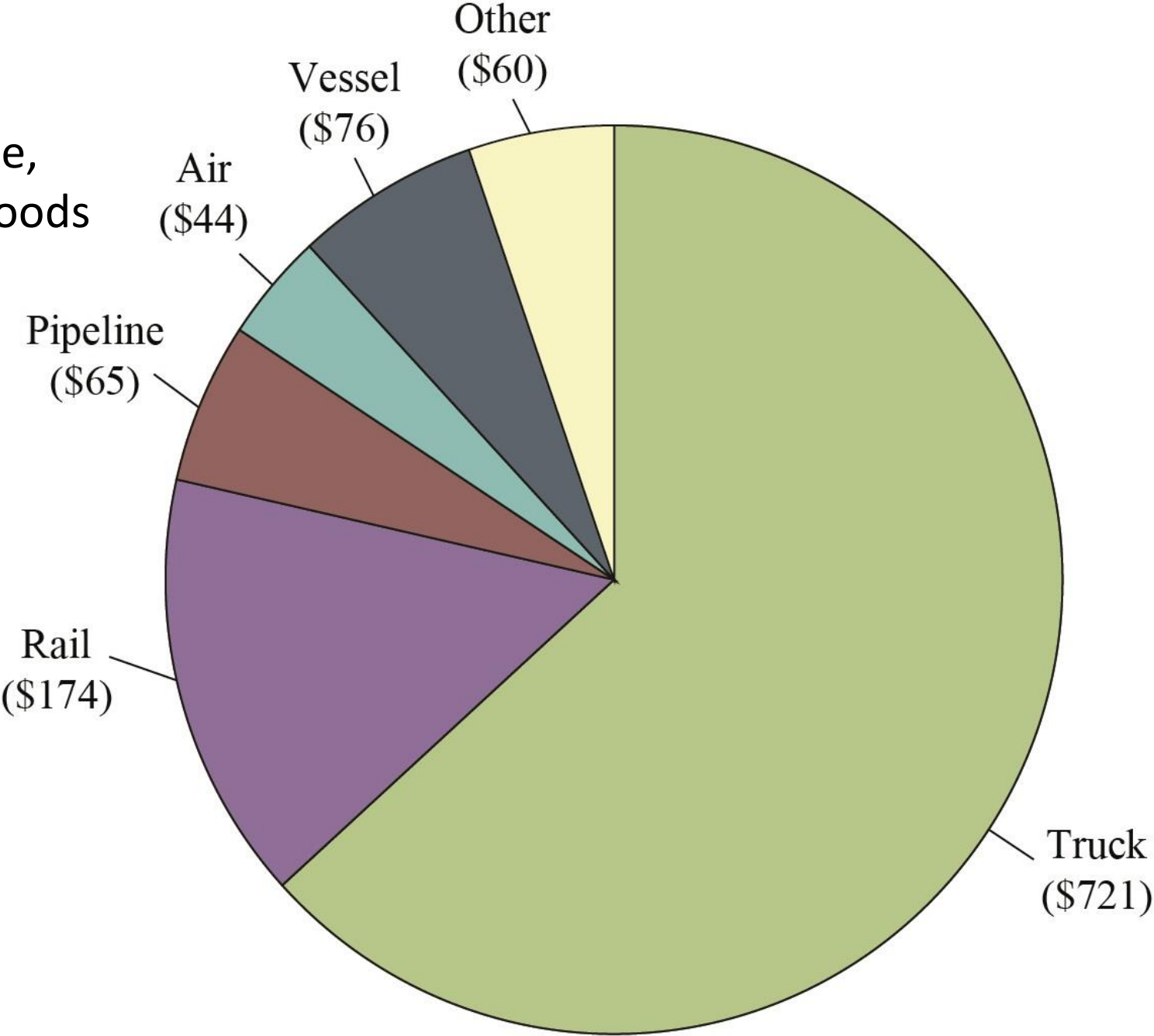
➤ Source: San Diego Smart Border Coalition



# WHERE THINGS HAPPEN

| Border City, State | Number of Truck Crossings | By Percentage | US Population within 300 Miles |
|--------------------|---------------------------|---------------|--------------------------------|
| Laredo, TX         | 2,132,976                 | 36.3%         | 12,487,525                     |
| Otay Mesa, CA      | 833,880                   | 14.2%         | 29,664,460                     |
| El Paso, TX        | 791,868                   | 13.5%         | 4,933,264                      |
| Hidalgo, TX        | 594,348                   | 10.1%         | 8,255,927                      |
| Nogales, AZ        | 401,820                   | 6.8%          | 7,839,054                      |
| Calexico East, CA  | 361,656                   | 6.1%          | 31,460,562                     |
| Brownsville, TX    | 218,172                   | 3.7%          | 9,851,093                      |
|                    |                           |               |                                |

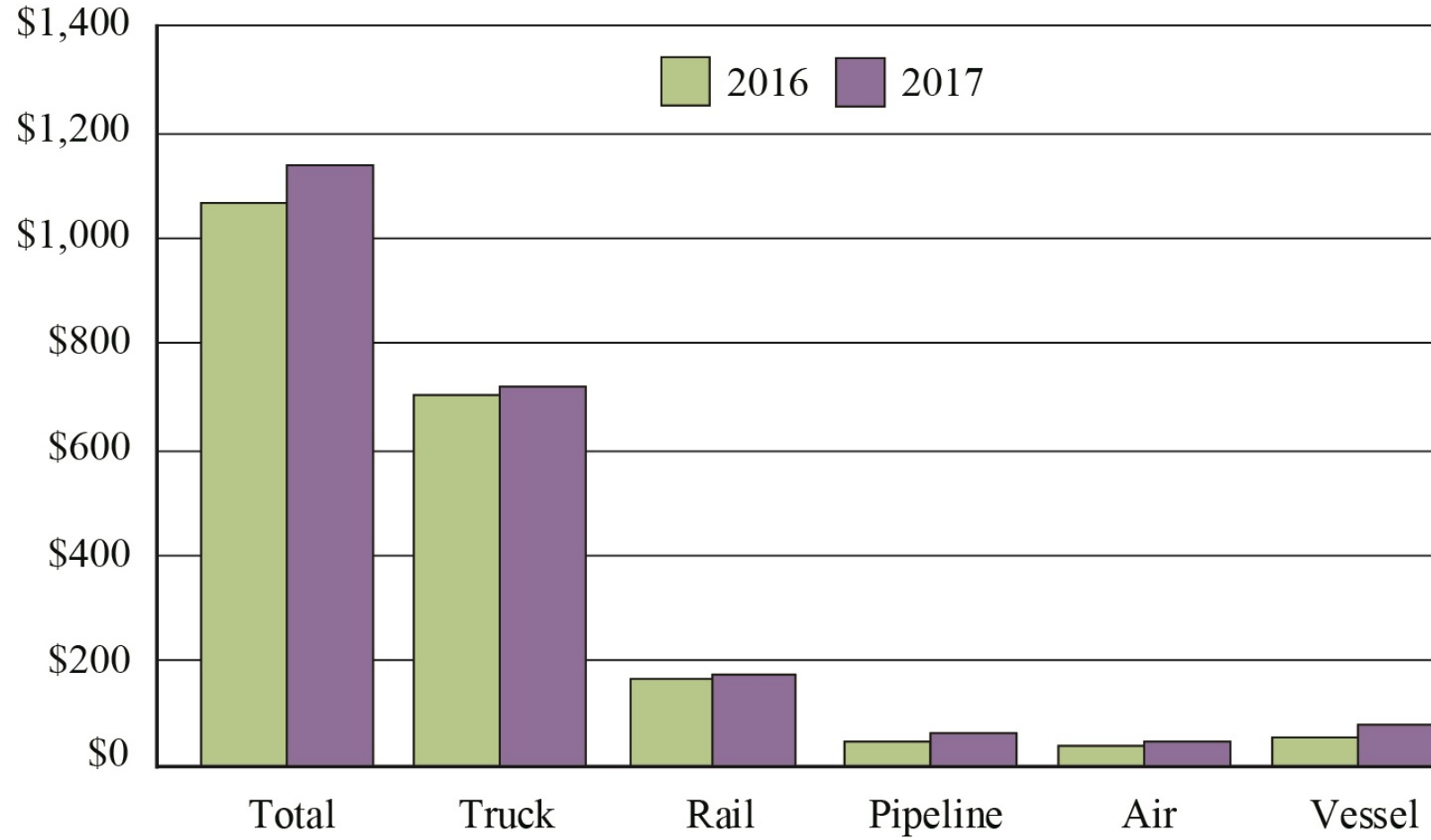
Cross border by mode, as you can see, the overwhelming majority of the goods are moved by trucks



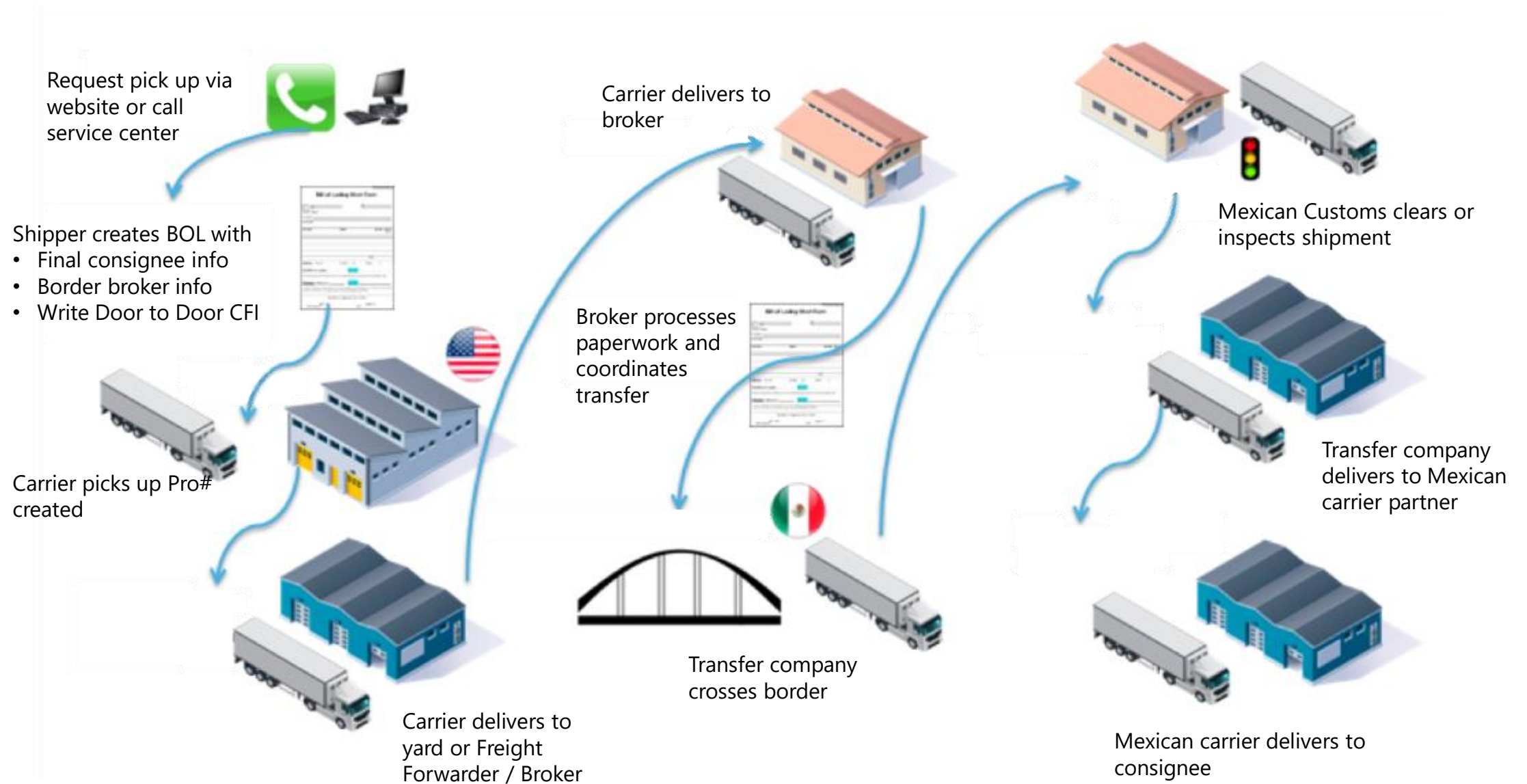
Source; USDOT Bureau of Transportation Statistics

# GROWTH IN TRADE BY MODE

SOURCE; USDOT BUREAU OF TRANSPORTATION STATISTICS



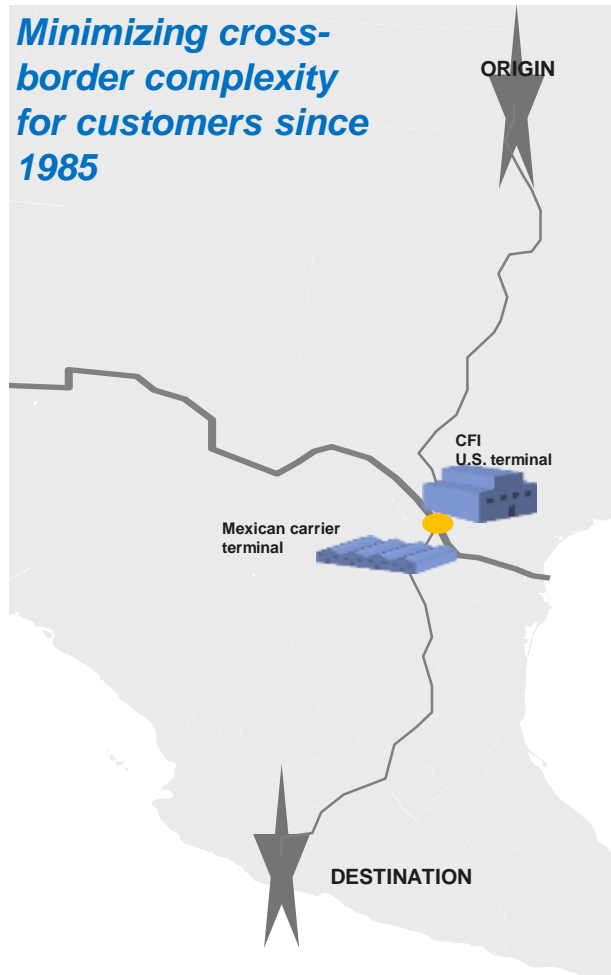
# CROSS BORDER FLOW





# SOUTHBOUND PROCESS TO MEXICO / NORTHBOUND IS SIMILAR

*Minimizing cross-border complexity for customers since 1985*



## Illustrative southbound truckload shipment

- 1 CFI loads trailer at origin
- 2 CFI delivers trailer to Freight Forwarder
- 3 Freight Forwarder creates classification and entry for Mexican Customs
- 4 Mexican customs broker creates Pedimento and submits to Mexican Customs, and payment of duties if applicable
- 5 U.S. customs broker sends Shipper Export Declaration to U.S. Customs
- 6 Transfer picks up shipment and crosses border
- 7 Mexican Customs Inspection: Green-cleared, Yellow – doc. review, Red: physical inspection
- 8 Transfer delivers shipment to Mexican carrier terminal
- 9 Mexican carrier delivers to consignee

## Common export documents

- Commercial Invoice
- Certificate of origin
- Bill of lading
- Export packing list
- Pro forma invoice

## Reasons for delays

- Misclassification
- Labeling
- Inadequate documentation
- Duties higher than anticipated

# MEXICO SERVICES

Our bilingual organization in Mexico has been serving truckload customers for over 30 years

11 offices in Mexico

80 partner carriers

+ 30 years experience

- ▶ Border Facilities
- ▶ Service Centers
- ▶ Bilingual Organization
- ▶ Cross Border Experts
- ▶ Secure Load Tracking
- ▶ Proof of Delivery
- ▶ Load Booking

# Detroit MI/Windsor ON Bridge





*We are the transcontinental experts*

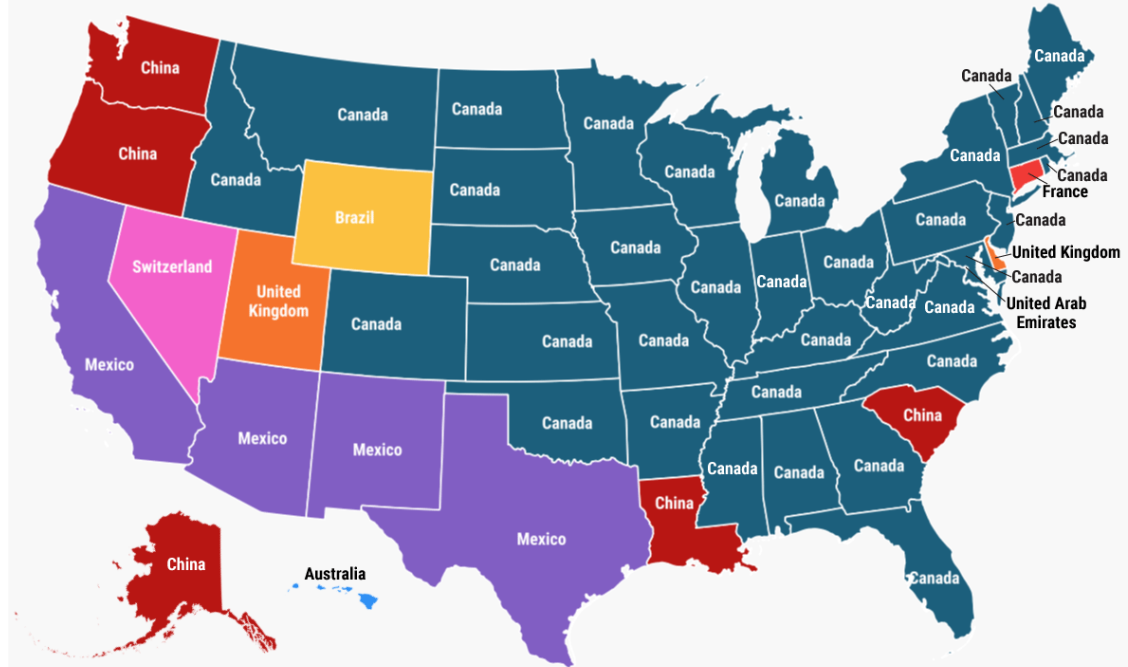
- US and Canada enjoy the world's largest and most comprehensive trading relationship, supporting millions of jobs in each country.
- US is Canada's largest trade partner – total two way trade in 2014 was \$759 billion.
- Mexico is Canada's 5th Largest \$21.3 billion total

# US Exports by State- Canada Imports

Canada was the number 1 export destination for 32 US States in 2016.



## BIGGEST EXPORT TRADING PARTNERS



SOURCE: US Census Bureau

BUSINESS INSIDER

**CFI**

**THANK YOU**

Don Adams





# USMCA – CUSMA – T-MEC

- Timeline for ratification:
  - Text released Sept 2018
  - Mexico is done!
  - Canada is getting there
  - US
    - 90-day clock will start in once the implementing bill is filed
- Issues in the US (Dems)
  - Biologix
  - Environment
  - Labor
  - Enforcement
  - De Minimis
- Political Path
  - What does Labor get?
  - When is the quiet time to pass it?
  - Withdrawal threat
- Implementation
  - Late 2020 at the earliest
  - How will systems change?
    - Will it be smooth?





# USMCA – CUSMA – T-MEC

- Exciting changes in Chapter 7: Trade Facilitation
  - Systems streamlining and connectivity
  - More consistent treatment across ports
  - Opening of Mexican Customs Brokerage industry
  - Appeals process
  - Updated process for fines and penalties
  - Standing committees to act as continuous improvement
- How does immigration and border congestion interact with USMCA debate?
  - Resources are being diverted from processing freight to processing people



**THANK YOU**  
**JASON CRAIG**



**C.H. ROBINSON**  
ACCELERATE YOUR ADVANTAGE®



# NAFTA TO USMCA – IS YOUR COMPANY READY?

Erica Krauss

Global Logistics and Trade Compliance Manager - IEWC

CGBP®; CUSECO®; CUSICO®

# THE USMCA IS NOT EFFECTIVE YET. WHY DO I HAVE TO WORRY ABOUT IT NOW?

- It's always a good idea to review what has been published on this topic and put a game plan together
  - May not be effective yet, but it's coming...
- In any transaction, especially an international transaction, there are a lot of moving parts and various departments that work together
  - Sales
  - Customer Service
  - Sourcing
  - Materials Management or Purchasing
  - Logistics
  - Trade Compliance
  - Warehouse
  - Transportation Providers
  - Brokerage

# CHANGES MADE TO RULES OF ORIGIN VERIFICATION PROCEDURES

- Certification of origin may not only be made by the producer, exporter or importer
- It may be permissible that the importer of record may be able to issue their own certificates for their own importation
- Classify 1st then Qualify 2nd
  - Classifying = How your product falls under the tariff
  - Qualifying = How the tariff operates under the rules of origin
  - If you can't classify correctly, then you have the wrong HTS to apply the rule and then the qualification process is also wrong



# ASKING YOUR CURRENT SUPPLIERS MAY FEEL LIKE YOU ARE ONBOARDING A NEW SUPPLIER

- The rules of origin under NAFTA may not necessarily be the same under USMCA
- It's like an interview, have your questions ready!
- Questions my company has asked:
  - Are you currently NAFTA compliant?
  - Have you heard of the USMCA?
  - What is your company doing to try to prepare for the USMCA?

# PLANNING METHODOLOGY

- Must stay on top of developments, remain informed, understand the risk and prepare a strategy
- How will the new rules of origin affect your industry?
  - Start looking at the goods and evaluate/see if the goods pre-qualify under the current USMCA rules of origin
  - Identify gaps and risk compliance
  - Understand content requirements and how it affects the qualification process
- Ensure that your company remains competitive
  - Building partnerships and open dialogue
- Have a back-up plan – Diversify your markets
  - With so much uncertainty, can the product be sourced in other countries in the world?

# BEST PRACTICES FOR COMPANIES PURCHASING

- In your yearly solicitations to your suppliers, make sure to start putting verbiage in about the USMCA
  - Helps open dialogue between the buyer and seller
  - Sets the expectations upfront
  - If the buyer has never heard about the USMCA, it is a chance to direct them to information about the topic
- Make Sure PO's are updated with the Requirements listed
  - Replace NAFTA to USMCA required (or any other Trade Agreement needed)
- Keep doing your audits
  - Verify and benchmark the level of compliance under NAFTA that is currently being experienced
  - Try to take these principals and mirror them under the USMCA

# WHAT ABOUT COMPANIES WHO MANUFACTURE?

- Will I have to requalify all my goods under USMCA because they are already qualified under NAFTA?
  - Yes, the rules of origin may have changed or been modified
  - Use ACE data to see what qualifies today and match it up against the proposed rules under USMCA
- Will there be a new form issued?
  - It is assumed there will be, but it has not been released
- Tariff codes will have to be updated with the new tariff treatment duty rates under USMCA rather than NAFTA
- Make sure to have key individuals who have expertise in classifying and have a command of qualifying under the rules of origin
  - Have a process and procedure in place

# RISK VERSUS REWARD

- \$5M product line, makes sense to work with a supplier that adheres to the trade agreement
  - If you are a producer, then it makes sense to use raw materials that qualify as well
- If it's a low value shipment, the duty impact is low
  - Low benefit, but increased risk

## IN CONCLUSION...

- Management Commitment help communicate the message
- Policies, Procedures and Audits help ensure that companies stay compliant
  - Living, breathing documents that need to reflect the current process
  - Updated regularly including when regulations change
- Regulations can change at any time so it's important to understand how the specific product line functions under NAFTA, what the differences will be under USMCA and how it continues to evolve for years to come



# QUESTIONS?



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# Thank you to our Speakers

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