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Industry Groups Want USTR to Raise Minimum Duty-Free Levels in USMCA

By Arthur Friedman

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A coalition of major U.S. trade associations has challenged a provision in the U.S.-Mexico-Canada Trade Agreement (USMCA) allowing the United States to reduce the minimum value for goods that can enter the country duty-free to a potentially much lower amount, also known as the de minimis rule.

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In a letter sent Tuesday to U.S. Trade Representative Robert Lighthizer obtained by Sourcing Journal, the groups said such a change "would harm American businesses, workers and consumers, reduce incentives to improve U.S. e-commerce infrastructure and undermine U.S. global leadership in e-commerce policy."

As part of the North American Free Trade Agreement (NAFTA), which the USMCA replaces, the U.S. in 2016 raised its "de minimis" amount from $200 to $800. New language in the USMCA gives the United States the ability to lower the de minimis to an unspecified "reciprocal amount" with Canada and Mexico.

The trade groups said U.S. businesses have increased investments in domestic infrastructure to support the growth of e-commerce and consumer demand since that increase, and reversing that change would decrease incentives for such investments.

“American small businesses benefit from more rapid border clearance and reducing the burdens of importing low-value goods,” the trade groups, including the National Retail Federation, Retail Industry Leaders Association and the U.S. Fashion Industry Association, said. “These reduced logistics costs improve the bottom line of American small businesses across industries who import low-value components for assembly and value-added manufacturing operations. A higher threshold benefits high technology component manufacturers and apparel, textile and other retailers who import samples of merchandise.”

In addition, the trade groups said a higher de minimis also benefits U.S. importers and logistics firms “by reducing the time and cost to process millions of shipments and shaving a half-a-day or more from clearing each shipment.” Generally in preferential trade programs, goods entering the country are pre-qualified and marked for duty-free status, so they not only aren’t subject to an import tax, but require less documentation clearance.

Steve Lamar, executive vice president of the American Apparel & Footwear Association, which did not sign the letter, said, “We agree with the underlying sentiment of the letter and are working to make sure the USMCA implementing bill does not enable the U.S. to unilaterally lower its de minimis threshold. The $800 level is very popular in Congress, having been raised a few years ago in a bipartisan, bicameral manner.”

Lamar said AAFA also supports the effort to raise the Mexico and Canada levels. “However, any efforts by the U.S. to lower its de minimis unilaterally would have little impact in persuading our USMCA partners to raise theirs.”

USTR’s industry Advisory Committee on Trade Policy Negotiations, weighing in on the issue, said: “We urge the administration not to contemplate lowering its own de minimis threshold. The U.S. de minimis threshold is a benchmark that we should encourage others to attain, especially in the e-commerce and trade facilitation areas. Unilaterally lowering the U.S. de minimis threshold would only hurt U.S. interests—companies and their workers engaged in e-commerce as well as their consumers—without achieving any gain for the U.S.”

As the coalition letter noted, “USMCA should not result in parties reducing their commitments to measures that facilitate trade.”

The letter also asked Lighthizer to remove the footnote at issue and work with his counterparts in Canada and Mexico to ensure they do not implement the USMCA in a way that “reduces or withdraws existing trade facilitating measures.”

“Taking these steps would ensure that all three countries fulfill the goal of reducing frictions and facilitating trade across North America,” the groups added.

The protracted USMCA negotiations to revise NAFTA were completed last month. The trade pact is expected to have enough bipartisan support to pass in the next Congress, but experts say several revisions, such as this one, are likely to be proposed and could threaten its ultimate passage if comprises cannot be reached.

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