

## Trade Facilitation in USMCA: *De Minimis* Importation

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Free trade agreements (FTAs) use several rules of origin (ROO) -such as change in tariff category, value-added, and certain process requirements - to [determine origin](#). ROO should have four characteristics: [consistency, uniformity, objectivity, and reasonableness](#). However, achieving such objectives is important, but unfortunately this has not been always the case given the complicated nature of ROO and the other varied rules. ROO are confusing to traders, producers, and even lawyers. No single rule used is better than the other. Each origin determination under any FTA has its own set of advantages and disadvantages. It is noted that there are elements of unpredictability and restrictiveness in each method thus limiting the benefits of tariff reduction or elimination.

The United States-Mexico-Canada Agreement (USMCA) includes several provisions concerning trade facilitation such as [advance ruling, duty drawback, use of information technology, post clearance audit, and single window](#). While certificates of origin are necessary, they also generate cost and delays for businesses and may be a [source of risk and uncertainty](#). Some enterprises may decide to export under the normal MFN tariffs (which can be relatively low) thus foregoing FTAs benefits. These enterprises – especially small and medium-size companies- are doing so because they believe that their costs of complying with FTAs requirements, as reflected by change in tariff category, or value content calculations, the anticipated administrative costs of preparing documentation such as certificates of origin, and subsequent customs verification, are greater than the import duties that would be saved. These costs may require accounting and customs specialists who small and medium-size companies do not have. This may discourage new exporters and importers from participating in the anticipated benefits of free trade.

One important aspect of USMCA is the inclusion of *de minimis* threshold for imports. *De minimis* is a valuation ceiling for goods below which [no duty or tax is charged and clearance procedures, including data requirements, are minimal](#). The focus in the *de minimis* threshold is [not on value not size of weight of imports](#). These goods are usually low in value and involve low risk thus justifying the exemption from ordinary customs procedures.

There are times when certificate of origin is not required and customs procedures are minimal. [For express shipments, importers do not need certificates when the value of an imported good does not exceed US \\$800 \(for the U.S.\), US \\$117 \(for Mexico\), and C\\$150 \(for Canada\)](#). For other shipments, the *de minimis* threshold is CAD\$3,300 for Canada and US\$2,500 for the U.S. and Mexico. Of course, to benefit from this exemption, importation should not part of a series of importations since this may reasonably be considered to have been arranged for the purpose of avoiding the certificate requirement.

There are no data available on the volume of *de minimis* postal shipments. Parties to the USMCA –especially Mexico and Canada- could have increased the *de minimis* threshold which could have led to higher trade volume for medium and small enterprises through lower trade costs. [Studies indicate that increasing baseline \*de\*](#)

*minimis* threshold generates net economic benefits. Enterprises could benefit from not paying tariffs and avoiding time-consuming import procedures.