



### Overview

For most goods, the United States-Mexico-Canada Agreement - or USMCA - provides two Regional Value Content - or RVC - calculation methods: 1. the transaction value method, and 2. the net cost method. While the two calculation methods have not changed, this fact sheet highlights key changes from the North American Free Trade Agreement – or NAFTA.

The **Transaction Value Method:**  $RVC = (TV - VNM) / TV \times 100$  where

- RVC is the regional value content, expressed as a percentage;
- TV is the transaction value of the good, adjusted to exclude any costs incurred in the international shipment of the good; and
- VNM is the value of non-originating materials including materials of undetermined origin used by the producer in the production of the good.

The **Net Cost Method:**  $RVC = (NC - VNM) / NC \times 100$  where

- RVC is the regional value content, expressed as a percentage;
- NC is the net cost of the good; and
- VNM is the value of non-originating materials including materials of undetermined origin used by the producer in the production of the good.

### References

#### USMCA

- o Final Text: Chapter 4, Article 4.5
- o Annex 4-B

#### NAFTA

- o General Note 12(c)

### Significant Changes in USMCA

Provision	NAFTA	USMCA
<b>Calculation Method</b>	No change – The formulas used to calculate regional value content have not changed.	
<b>Responsible Party</b>	The exporter or producer of the good has the option to calculate the RVC.	The USMCA adds that the importer may also calculate RVC, not only the producer or exporter.
<b>RVC Threshold</b>	A good shall originate provided that the RVC of the good is not less than 60% where the transaction value method is used, or is not less than 50% where the net cost method is used.	The RVC of the non-textile good (not including auto and auto parts) is not less than 60% if the transaction value method is used, or not less than 50% if the net cost method is used. There is an exception for Chapters 61-63, which is also in NAFTA.
<b>Limitations for Calculation Method</b>	The NAFTA rules of origin for automotive products require that the RVC for these products be calculated using the net cost method. A complete list of such goods may be found in General Note 12.	The USMCA states that some sectors are limited to one method (e.g., automotive sector must use net cost method for passenger vehicles, light trucks, and heavy trucks).
<b>Non- Originating Materials</b>	No provision	A new rule in the USMCA provides that, where a non-originating material is used in the production of a good, the following may be counted as originating content for purposes of calculating RVC (under either method):

Provision	NAFTA	USMCA
		<ol style="list-style-type: none"> <li>1. The value of processing of the non-originating materials undertaken in the territory of one or more of the parties; and</li> <li>2. The value of any originating material used in the production of the non-originating material undertaken in the territory of one or more of the parties.</li> </ol>

**Detailed NAFTA/USMCA Side-by-Side**

Provision	NAFTA	USMCA
<b>RCV Calculation</b>	<p>The RVC of a good shall be calculated, at the choice of the exporter or producer of such good, on the basis of either the transaction value method or the net cost method.</p> <p>Except as provided in subdivisions (d)(i) and (d)(ii)(A)(2) of this note, the value of non- originating materials used by the producer in the production of a good shall not, for purposes of calculating the RVC of the good under subdivision (c)(i) or (c)(ii) of this note, include the value of non-originating materials used to produce originating materials that are subsequently used in the production of such good.</p> <p>(Reference: General Note 12 (c))</p>	<p>Each party shall provide that the RVC of a good shall be calculated, at the choice of the importer, exporter, or producer of the good, on the basis of either the transaction value method or the net cost method.</p> <p>Each party shall provide that if a non-originating material is used in the production of a good, the following may be counted as originating content for the purpose of determining whether the good meets a RVC requirement:</p> <ol style="list-style-type: none"> <li>a) the value of processing of the non-originating materials undertaken in the territory of one or more of the parties; and</li> <li>b) the value of any originating material used in the production of the non-originating material undertaken in the territory of one or more of the parties.</li> </ol> <p>(Reference: Article 4.5)</p>

