

United States – Mexico – Canada Agreement (USMCA)

Sunset Clause

Review and Term Extension

The Agreement **shall terminate 16 years after the date of its entry into force, unless each Party confirms it wishes to continue** for a new 16-year term, in other words it is a long-term **“Review Clause”**.

It establishes a **review and term extension mechanism, to avoid the Agreement’s sudden death, while allowing to update it constantly** to address new economic and political challenges.

General elements of the mechanism:

- Extension: **16 years extendable for similar periods**. Parties shall confirm through its Head of Government it wishes to continue in the Agreement.
- **Review and automatic extension**: the first joint review will be in the 6th year after the signature of the Agreement and the next one will be 6 years later.
 - **At the end of each joint review**, the parties may confirm their decision to extend the Agreement for another 16 years; or
 - If one of the Parties **doesn’t confirm its wish to extend** the Agreement during the 6 year review;
 - The three Parties will have a **joint review every year, for 10 years**, in order to solve those elements that don’t permit the extension of the Agreement. In the scenario of reaching year 16 without confirming the extension of the agreement, it would be concluded.

With this mechanism, **it was possible to withdraw the US “Sunset Clause” proposal** that aimed to conclude the Agreement 5 years after its entry into force, unless the 3 parties agreed to maintain it.

A fundamental contribution of the transition team during the negotiation was to **open the issue for negotiation**, and **to design and propose the winning counterproposal of the long-term “Review Clause”**.

Clearly, it was one of the **most difficult issues of the negotiation**, since it hadn’t been discussed at all one week before the Agreement of Principle between US and Mexico was reached.