



### Overview

This is a new provision in the USMCA. Although 19 CFR §181.132 "Disassembly" provides treatment equivalent to recovered materials, there is no specified rule in the North American Free Trade Agreement (NAFTA) covering a remanufactured good using originating recovered materials.

### References

- **USMCA**
  - *Final Text:* Chapter 4, Article 4.4
  - *HR 5430 Citation:* Title II, Section 202(a)(18)
- **NAFTA**
  - 19 CFR §181.132

### Significant Changes in USMCA

Provision	USMCA	NAFTA
<b>Changes / Differences</b>	<ul style="list-style-type: none"> <li>• <b>New</b> <ul style="list-style-type: none"> <li>○ The HR 5430, Sec. 202 (a) (18) has a specific definition of recovered materials, but there is no specific definition in NAFTA and related statute or regulation.</li> <li>○ There is a specific requirement to qualify for originating treatment for a remanufactured good that is using originating recovered materials.</li> </ul> </li> <li>• <b>Same</b> <ul style="list-style-type: none"> <li>○ Requirements of originating treatment for recovered materials.</li> </ul> </li> </ul>	
<b>Requirements for Originating Treatment</b>	<ul style="list-style-type: none"> <li>• Recovered materials are disassembled parts only from a used good; and must undergo processing to improve into sound working condition.</li> <li>• If the recovered material derived in one or more of the three countries, when used or consumed in the production of, and incorporated into a remanufactured good, is originating.</li> <li>• If the recovered material is not used for the remanufacture of a good, the recovered material is only originating if it meets all other applicable requirements for originating goods under the USMCA.</li> </ul>	<ul style="list-style-type: none"> <li>• If a recovered component is disassembled from a good within one or more of the three countries, the recovered component is treated as originating. However, if the recovered component is from a new good, then the recovered good is not treated as originating.</li> </ul>

## Detailed USMCA/NAFTA Side-by-Side

Provision	USMCA	NAFTA
<b>Recovered Materials</b>	<p><b>Article 4.4: Treatment of Recovered Materials Used in the Production of a Remanufactured Good</b></p> <ol style="list-style-type: none"> <li>1. Each Party shall provide that a recovered material derived in the territory of one or more of the Parties is treated as originating when it is used in the production of, and incorporated into, a remanufactured good.</li> <li>2. For greater certainty:               <ol style="list-style-type: none"> <li>a) a remanufactured good is originating only if it satisfies the applicable requirements of Article 4.2 (Originating Goods); and</li> <li>b) a recovered material that is not used or incorporated in the production of a remanufactured good is originating only if it satisfies the applicable requirements of Article 4.2 (Originating Goods).</li> </ol> </li> </ol> <p><b>HR 5430, Sec 202 (a) (18) Recovered Material</b></p> <ul style="list-style-type: none"> <li>• The term “recovered material” means a material in the form of individual parts that are the result of:           <ol style="list-style-type: none"> <li>a) the disassembly of a used good into individual parts; and</li> <li>b) the cleaning, inspecting, testing, or other processing that is necessary for improvement to sound working condition of such individual parts.</li> </ol> </li> </ul> <p><b>Article 4.2: Originating Goods</b></p> <ul style="list-style-type: none"> <li>• Except as otherwise provided in this Chapter, each Party shall provide that a good is originating if it is:           <ol style="list-style-type: none"> <li>a) wholly obtained or produced entirely in the territory of one or more of the Parties, as defined in Article 4.3 (Wholly Obtained or Produced Goods);</li> <li>b) produced entirely in the territory of one or more of the Parties using non-originating materials provided the good satisfies all applicable requirements of Annex 4-B (Product-Specific Rules of Origin);</li> <li>c) produced entirely in the territory of one or more of the Parties exclusively from originating materials; or</li> <li>d) except for a good provided for in Chapter 61 to 63 of the Harmonized System:               <ol style="list-style-type: none"> <li>i. produced entirely in the territory of one or more of the Parties;</li> <li>ii. one or more of the non-originating materials provided for as parts under the Harmonized System used in the</li> </ol> </li> </ol> </li> </ul>	<p><b>§181.132 Disassembly.</b></p> <ol style="list-style-type: none"> <li>a. Treated as production. For purposes of implementing the rules of origin provisions of General Note 12, HTSUS, and Chapter Four of the NAFTA, except as provided in paragraph (b) of this section, disassembly is considered to be production, and a component recovered from a good disassembled in the territory of a Party will be considered to be originating as the result of such disassembly provided that the recovered component satisfies all applicable requirements of Annex 401 and this part.</li> <li>b. Exception; new goods. Disassembly, as provided in paragraph (a) of this section, will not be considered production in the case of components that are recovered from new goods. For purposes of this paragraph, a “new good” means a good which is in the same condition as it was when it was manufactured and which meets the commercial standards for new goods in the relevant industry.</li> </ol>

Provision	USMCA	NAFTA
	<p>production of the good cannot satisfy the requirements set out in Annex 4-B (Product-Specific Rules of Origin) because both the good and its materials are classified in the same subheading or same heading that is not further subdivided into subheadings or, the good was imported into the territory of a Party in an unassembled or a disassembled form but was classified as an assembled good pursuant to rule 2(a) of the General Rules of Interpretation of the Harmonized System; and</p> <p>iii. the regional value content of the good, determined in accordance with Article 4.5 (Regional Value Content), is not less than 60 percent if the transaction value method is used, or not less than 50 percent if the net cost method is used; and</p> <p>e) the good satisfies all other applicable requirements of this Chapter.</p>	