November 3, 2025

Amb. Jamieson Greer
Office of the United States Trade Representative
600 17th St., NW, Washington, DC 20508

Re: [Docket Nos. USTR–2025–0004] Request for Public Comments Relating to the Operation of the Agreement Between the United States of America, the United Mexican States, and Canada

Dear Amb. Greer,

We submit this letter in response to your request for public comments relating to the operation of the Agreement between the United States of America, the United Mexican States, and Canada (USMCA). As experts in international trade with a substantive body of work on North American political economy and international economic law, we offer our observations on the operation of the USMCA as well as the opportunities available to better leverage the agreement for continued economic prosperity.

The economic and political relationship between the United States, Mexico and Canada is long and marked by decades of cooperation. As geographical neighbors, Canada and Mexico have a unique relationship with the United States that is in some ways closer than other allies, and forms a critical part of U.S. security and prosperity. Canada and Mexico are more than just economic partners. Like true neighbors, they rise to the occasion when we are in need. Whether it is fighting forest fires or providing stranded Americans with shelter during one of the darkest hours on 9/11, both Canada and Mexico have shown, time and again, that they are reliable and trusted partners willing to stand alongside the United States in both good times and bad.

Today, the fabric of our relationship with two of our closest friends is being tested like at no other time in U.S. history. This is an inflection point that will shape the future of continental relations and determine the centrality of the United States in the region. Policy towards Canada and Mexico, in particular with regard to the USMCA, should be focused on three areas: upholding the principles of the USMCA and ensuring its timely renewal; a new initiative for a security and prosperity partnership that addresses specific contemporary concerns about our continental relationship; and a presumptive exemption for Canada and Mexico from sectoral tariffs under Section 232 of the Trade Act of 1962. We address each in turn.

The Purpose of the USMCA Review: Building on Success

The USMCA and its predecessor, the North American Free Trade Agreement (NAFTA), have been responsible for tremendous economic success on this continent. $3.6 million traded every minute—that's over $1.88 trillion in annual merchandise trade.[1] North America makes up 13 percent of global merchandise exports and we continue to make things together—evidenced by the fact that 30 percent of our exports stay within the region.[2] In fact, Canada is the top export market for 36 U.S. states, and Mexico

[1] Earl Anthony Wayne and Diego Marroquín Bitar, "USMCA at Four: Measuring Success, Addressing China, and Working Towards the 2026 Review," *The Wilson Center*, July 2024, https://www.wilsoncenter.org/sites/default/files/media/uploads/documents/USMCAatFour.pdf.

[2] "North America Trade," World Integrated Trade Solution, the World Bank, accessed November 3, 2025, https://wits.worldbank.org/CountrySnapshot/en/NAC.; Pedro Casas and Arturo Martínez, "'America First' Does Not Mean 'America Alone,'" *The Wilson Center*, February 3, 2025, https://www.wilsoncenter.org/article/america-first-does-not-mean-america-alone.

is the top destination for 6 states.[3] The USMCA is central to this economic activity, and importantly, the fact that nearly all trade is duty free has undergirded this competitiveness. For a single product to come together, it often takes a journey across both borders, and this joint production network allows for a high degree of North American, and particularly, U.S. value added.[4] In fact, approximately 74 percent of the foreign value added of vehicles imported from Mexico is from the United States.[5] The growth in vehicle imports from Mexico therefore directly benefits the U.S. auto industry.

This complex trading relationship is threatened by blunt instruments such as tariffs. Honoring our USMCA tariff commitments is essential to preserving the decades of gains from trade with our nearest neighbors, and also a critical signal to send them that the United States upholds the agreements it signs. President Trump oversaw the renegotiation of the North American Free Trade Agreement (NAFTA), and on January 30, 2020 in Warren, MI, he stated that "The USMCA is the fairest, most balanced, and beneficial trade agreement we have ever signed into law."[6] The USMCA thus meets many of the priorities President Trump outlined in his America First Trade Policy, and derogating from it would therefore be counterproductive to achieving the administration's stated goals.

The USMCA review should therefore not be used to scale back the benefits of the agreement, but rather to build on them**.** This means looking for new areas of opportunity to create a more resilient, secure, and competitive North American market. To be clear, this does not require renegotiating the USMCA. Rather, as with past adaptations of North American cooperation, new initiatives can be layered on top of existing institutions. This will be addressed in the next section.

Procedural Transparency and Respecting Sovereignty on Labor Matters

One issue that should be addressed in the USMCA review is the operation of the Rapid Response Labor Mechanism (RRM). To date, it has had mixed results, and its application has raised concerns about the mechanism's scope and the process by which it is utilized.[7] But more concerning is the fact that the application of the mechanism does not reflect the procedures outlined in the text of the agreement itself. In fact, the RRM is designed as a state-to-state consultation process and a panel process with varying timelines, though it is structured to allow for a fairly expeditious process. However, very few panels have been established, and the mechanism has functioned more as a state-to-firm dispute settlement mechanism.

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[3] Ed Gresser, "Trade Fact of the Week," *Progressive Policy Institute*, December 4, 2024, https://www.progressivepolicy.org/canada-is-the-top-export-market-for-36-u-s-states-and-mexico-for-six/.

[4] Scott Lincicome and Alfredo Carrillo Obregon, "Seven Charts Showing How Canada/Mexico Tariffs Would Harm the US Auto Industry (and American Car Buyers)," *The CATO Institute*, January 29, 2025, https://www.cato.org/blog/seven-charts-show-how-us-tariffs-would-harm-american-auto-industry#:~:text=The%20North%20American%20automotive%20supply,incorporated%20into%20a%20car%20seat.

[5] Alonso de Gortari, "Disentangling Global Value Chains," *NBER Working Paper No. 25868*, May 2019, https://www.nber.org/system/files/working_papers/w25868/w25868.pdf.; Julieta Contreras "Restricting imports of Mexican vehicles will harm US manufacturers," *The Peterson Institute for International Economics*, December 4, 2024, https://www.piie.com/blogs/realtime-economics/2024/restricting-imports-mexican-vehicles-will-harm-us-manufacturers.

[6] Donald Trump, "Remarks by President Trump at a USMCA Celebration with American Workers," Warren, MI, Remarks, *Trump White House Archives*, https://trumpwhitehouse.archives.gov/briefings-statements/remarks-president-trump-usmca-celebration-american-workers-warren-mi/.

[7] Inu Manak and Alfredo Carrillo Obregon, *Labor Enforcement in the US-Mexico-Canada Agreement: Design, Motivation, and Reality*, 49 Brook. J. Int'l L. 473 (2024).
Available at: https://brooklynworks.brooklaw.edu/bjil/vol49/iss2/4

This raises two major concerns. First, a lack of transparency about these disputes, such as how cases are selected, and the universe of cases themselves, inhibits measurement of the mechanism's effectiveness. Second, with labor enforcement essentially outsourced to one-off actions from the United States, the RRM could stall Mexico's domestic efforts at reform by encouraging civil society actors to leverage their U.S. networks to generate investigations instead of going through domestic channels first. On this second point, a notable contribution of the labor chapter is capacity building efforts to support Mexico's domestic labor reforms. Reports from the Interagency Labor Committee for Monitoring and Enforcement identified positive outcomes from worker rights focused projects coordinated by the Department of Labor. Specifically, these projects have improved understanding of Mexico's labor law reforms at both the worker level and the managerial level, and supported training on collective bargaining. Enhancing these efforts can better support bottom up reform and ensure that the benefits of Mexico's labor reforms have broader reach. While there have been many RRM disputes, it is important to keep in mind that they cover but a small fraction of the Mexican workforce, and therefore have limited impact on Mexico's enforcement of labor rights overall.

The Review Process Itself: 2026 and Beyond

In U.S. trade policy, the executive branch has taken the lead on trade negotiations for many decades. Nevertheless, there is an important role for Congress that should not be ignored. While it is common for a U.S. administration to sign political agreements with foreign governments on various matters, for these agreements to be durable and carry beyond a particular administration, it is crucial for Congress to be involved and formally ratify the results.

This principle should apply to the USMCA review in two ways. First, as part of the decision to extend the USMCA in 2026, Congress should formally vote on any new terms that have been agreed. And second, the implementing legislation for the USMCA review should formally add a greater role for Congress in any reviews that take place in the future.

As a final point on process, 2026 will be the first time this type of review, tied to a decision on whether to extend the agreement, has been undertaken. The parties should learn from the process and think about adjustments that might be made going forward. As things stand now, there are few details on how the review process should work. It would be prudent to use the 2026 process as a learning exercise that leads to guidance on future reviews.

A New Initiative for a Security and Prosperity Partnership

While there is a whole world to trade with, and much work to do with all trading partners, it makes sense to start in our own backyard. To this end, building off the famously boring "Worthwhile Canadian Initiative" headline, we propose a revival of the once great project of North American economic integration, through a deepening of economic ties with our neighbors Canada and Mexico. This "worthwhile North American initiative" may be slightly boring to people outside of the trade policy field, but it will also be highly beneficial to all three countries and reinvigorate cooperative efforts on several high priority issue areas.

The United States has regularly undertaken new initiatives to build upon existing institutions to address contemporary challenges. This institutional layering is a hallmark of North America's economic history. The benefit of these types of initiatives is that they provide a forum for experimentation through ad hoc exchange. If those efforts prove effective, they can later be brought into the USMCA through subsequent reviews. If they are unsuccessful, it avoids integrating those commitments into the USMCA.

As outlined in recent research,[8] there are several areas on which a new effort could be focused. First, reducing trade frictions is essential to maintaining a vibrant North American automotive market. There is no such thing as an American car – but there are many North American cars.[9] This is not a weakness, but a strength. In fact, the integration of the automotive market is what has allowed it to remain competitive.[10] Therefore, dismantling this supply chain is counterproductive to supporting the U.S. auto industry. Since nearly all U.S. vehicle imports from Canada and Mexico are USMCA compliant,[11] an overhaul of the auto rules of origin (RoO) is also unnecessary. Concerns over transshipment could be better addressed through a coordinated trilateral supply chain monitoring mechanism.

Second, another area for deeper integration is semiconductors. Canada has been making investments in expanding its semiconductor manufacturing capacity,[12] as has Mexico.[13] This presents an opportunity to enhance U.S. capacity and broaden the semiconductor ecosystem with trusted partners.[14] While most discussions have been dual-bilateral, it is notable that Canada, Mexico, and the United States launched a North American Semiconductor Conference in 2023, "reflect[ing] a shared commitment by government, industry, and academia to work together to strengthen the resilience of the North American semiconductor supply chain." Revitalizing these discussions through the institutional structure of USMCA would further support U.S. goals and facilitate long-term coordination on this critical technology sector.

Third, reducing regulatory barriers to trade could assist with boosting economic activity in both old and new sectors, such as emerging technologies like AI. The three North American partners have had mixed success on regulatory cooperation efforts, though in the first decade of initiatives, notable progress was made between regulators in Canada and the United States.[15] If the United States wants to prioritize supply chain resilience and regional economic security, eliminating barriers that raise the costs of selling

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[8] Inu Manak, "Seeing North America through old and new perspectives." In *The Elgar Companion to North American Trade and Integration*, pp. 25-37. Edward Elgar Publishing, 2025.
[9] Kristen Hall-Geisler, "The Most American Cars on the Market in 2025," *U.S. News and World Report*, July 1, 2025, https://cars.usnews.com/cars-trucks/advice/most-american-cars?onepage.
[10] Brian Kingston, "Building a North American Electric Vehicle Supply Chain," *The Brookings Institute*, February 28, 2023, https://www.brookings.edu/articles/building-a-north-american-electric-vehicle-supply-chain/.
[11] Joshua P. Meltzer, "The impact of US tariffs on North American auto manufacturing and implications for USMCA," *The Brookings Institute*, May 13, 2025, https://www.brookings.edu/articles/the-impact-of-us-tariffs-on-north-american-auto-manufacturing-and-implications-for-usmca/.
[12] "Government of Canada announces significant investment in the Canadian semiconductor and photonics industries," Government of Canada, accessed November 3, 2025, https://www.canada.ca/en/innovation-science-economic-development/news/2022/02/government-of-canada-announces-significant-investment-in-the-canadian-semiconductor-and-photonics-industries.html; "Canada to invest in Teledyne to further advance Canada's semiconductor industry," Government of Canada, March 21, 2025, https://www.canada.ca/en/innovation-science-economic-development/news/2025/03/canada-to-invest-in-teledyne-to-further-advance-canadas-semiconductor-industry.html.
[13] Eyanir Chinea, "Engineers wanted: Mexico looks to join the global semiconductor race," *El País*, August 17, 2025, https://english.elpais.com/economy-and-business/2025-08-17/engineers-wanted-mexico-looks-to-join-the-global-semiconductor-race.html.
[14] Paul Triolo, "Building a long-term North American semiconductor ecosystem," *The Brookings Institute*, March 5, 2025, https://www.brookings.edu/articles/building-a-long-term-north-american-semiconductor-ecosystem/#:~:text=Mexico%20is%20the%20focus%20so,alongside%20Mexico's%20Secretariat%20of%20Economy.
[15] Inu Manak, "Increasing North American Competitiveness through Regulatory Cooperation," *The Wilson Center*, September, 2025, https://www.wilsoncenter.org/sites/default/files/media/uploads/documents/MI_220916-USMCA%20Brief%205-Manak_V1.pdf.

products in foreign markets or collaborating early and often on new product development could enhance regional competitiveness. The good regulatory practices chapter of USMCA could be better utilized to advance those efforts. Under the first Trump administration, important progress was made to cut red tape with Canada,[16] but those efforts were subsequently underdeveloped by the Biden administration. Reenergizing this initiative could help support U.S. businesses in a concrete way and permanently reduce many trade irritants.

Fourth, establishing an economic security committee could help address contemporary geoeconomic vulnerabilities This could include, for instance, an early warning system to monitor trade-related security concerns that could help the United States respond quickly with the support of the regional market. This early warning system could also be used to run exercises on potential supply chain disruptions at the yearly USMCA Free Trade Commission meetings. Furthermore, the United States could set up a transshipment monitoring system to track non-market economy inputs in the North American supply chain. In addition, this economic security committee could also help develop best practices and new disciplines to tackle market dominance by certain countries that impact the North American supply chain, such as in critical minerals. The efforts that come out of that collaborative work with Canada and Mexico could then be used as a basis for talks with other partners.

A North American Exemption to Section 232 Tariffs

Recognizing that the integration of our economies presents an opportunity to expand, rather than shrink, American competitiveness, measures that place undue burdens on U.S. businesses and raise costs of sourcing inputs from trusted partners should be relaxed for Canada and Mexico. We do not compete with each other, but rather we *compete together* as a regional bloc in a world of highly regionalized production networks.[17] Therefore, raising barriers to regional production weakens the United States' ability to compete globally with both established and rising regional networks. One of the largest vulnerabilities to our regional strength is the Section 232 tariffs on an array of sectors that create roadblocks to North American trade and innovation.

The idea behind Section 232 is that certain imports represent a threat to the national security of the United States. While there is room for debate about the scope of this statute, it is clear that imports from Canada and Mexico do not fall into this category. When legitimate security threats exist, Canada and Mexico have consistently proven their willingness to address those concerns on a bilateral or trilateral basis. In the past, we have established an array of initiatives to tackle specific challenges, such as high standard customs clearance procedures and trusted trade networks to ensure the security of supply. There is no reason that such efforts cannot be the focal point of addressing U.S. concerns on a diverse set of issues related to economic security, and tariffs are not necessary to incentivize those conversations with our closest partners.

To alleviate business uncertainty surrounding North American production, the USMCA should incorporate a presumption that import restrictions under Section 232 will not be applied to Canada and Mexico. While there may be occasional instances where imports from Canada or Mexico lead to security concerns, that is very unlikely to be the case in practice. In the rare instances where security is implicated, a two-step process should be implemented. In the first step, consultations with Canada and Mexico should proceed to discuss the nature of the threat. Second, in order for restrictions to be imposed, there should be

[16] Executive Office of the President of the United States, "Promoting Regulatory Cooperation Between the U.S. and Canada," *Press Release*, June 4, 2018, https://legacy.trade.gov/rcc/MOUPressRelease.pdf.
[17] Shannon K. O'Neill, "The Globalization Myth: Why Regions Matter," *NSI Inc.,* April 16, 2024, https://nsiteam.com/speaker-series-event/2024-04-16.

clear and convincing evidence, beyond what has been presented in relation to imports from other countries, that action is warranted.

A Meeting Place, Not a Dividing Line

In an era of heightened geopolitical competition, the United States needs friends that it can trust. It needs economic partnerships that serve to bolster fair competition and support a system where countries uphold the commitments they sign on to.The place to start is with our allies and in particular at our borders. The United States will better serve its long term geoeconomic interests through cooperative over coercive approaches. Coercion feeds distrust and risks turning U.S. partners away. Strategic cooperation with U.S. allies, in contrast, can help build trust and also allow like-minded countries to pool their resources towards a common cause.

President Ronald Reagan was well attuned to this fact, particularly when it came to economic and political relations in North America. In remarks to business leaders at a White House briefing on the Canada-United States Free Trade Agreement, he said:

> Some time ago -- way back in those prehistoric times known as the seventies -- I called for what I named a North American accord that would embrace our whole continent -- the United States, Canada, and Mexico, as well. I said then that it's time we stopped thinking of our nearest neighbors as foreigners. Let us instead think of them as partners, independent and sovereign, but united in a common purpose. Unity, I need hardly say, does not imply homogeneity. In a true alliance of friendship, the differences -- the unique characters and national identities of our northern and southern neighbors -- would only broaden our understanding and strengthen the mandate of freedom….
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> Let us dare to dream, I said, of some future date, when the map of the world shows a North American Continent united in commerce and committed to freedom. I say now it is time to dream even bigger dreams -- dreams of an entire hemisphere, from the Arctic Circle to Tierra del Fuego, united by the bonds of democracy and free trade; an entire hemisphere in which all the borders become what the U.S.-Canadian border is today -- a meeting place rather than a dividing line.[18]

The United States would do well to remember that thinking big about North America should involve expanding opportunities for business and for ordinary citizens. While borders can generate frictions, they are fundamentally a place where the people of different countries meet, and thus also a point where interests can converge.

Sincerely,

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[18] Ronald Reagan, "Remarks to Business Leaders at a White House Briefing on the Canada-United States Free Trade Agreement," *Ronald Reagan Presidential Library & Museum,* November 4, 1987, https://www.reaganlibrary.gov/archives/speech/remarks-business-leaders-white-house-briefing-canada-united-states-free-trade.