

Andrea Durkin

*Vice President,
International Policy*

November 3, 2025

Mr. Daniel Watson
Assistant U.S. Trade Representative for
the Western Hemisphere
Office of the U.S. Trade Representative
600 17th Street NW, Washington DC 20508

Re: Docket Nos. USTR-2025-0004 and USTR-2025-0005, Request for Public
Comments and Notice of Public Hearing Relating to the Operation of the
Agreement between the United States of America, the United Mexican States,
and Canada

Dear Mr. Watson:

On behalf of the National Association of Manufacturers, I respectfully submit the attached comments on the operation of the Agreement between the United States, Mexico and Canada (USMCA) under docket number USTR-2025-0004. Under docket number USTR-2025-0005, I have requested to appear at the hearing on the operation of the USMCA and submitted a summary of the NAM's proposed testimony. Thank you for your consideration of this request.

Sincerely,



Andrea Durkin
Vice President, International Policy

**Comments of the National Association of Manufacturers
on the Operation of the United States-Mexico-Canada Agreement (USMCA)
November 3, 2025**

The National Association of Manufacturers is the voice of the manufacturing community and the leading advocate for a policy agenda that supports and empowers the 13 million people who make things in America. As the largest manufacturing association in the U.S., the NAM's membership includes businesses of all sizes, across all industrial sectors and in all 50 states. Manufacturers collectively contribute \$2.90 trillion to the U.S. economy and account for nearly 53% of all private-sector research in the nation.¹

The NAM appreciates the opportunity to comment on the operation of the United States-Mexico-Canada Agreement. **The USMCA, negotiated by President Trump in 2020, is the most pro-U.S. manufacturing trade agreement in history.** The North American co-production model enabled by the USMCA has boosted manufacturing in the U.S. to unparalleled levels.

Given the importance of the U.S.-Mexico-Canada economic relationship, the review is an opportunity to ensure the USMCA remains the highest standard in the world and that its benefits are utilized fully by the manufacturers that depend on—and thrive under—the USMCA.

American Manufacturing Is the Engine of the U.S. Economy

The strength and the vibrancy of the U.S. economy depend on the competitiveness of U.S. manufacturing. Every job in manufacturing creates four others. Every dollar invested in our sector adds more than two-and-a-half dollars to the broader economy. More than half of all private-sector research and development in the U.S. happens on the factory floor. Bottom line—when manufacturing wins, America wins.

The USMCA is the most pro-manufacturing trade agreement in history.

The administration has rightly pursued a comprehensive manufacturing strategy. Implementing the president's tax reforms, unblocking permitting approvals, rebalancing regulations and making investments in the American manufacturing workforce are all vital to achieving a renaissance in American manufacturing. The USMCA, as negotiated and ratified during the first Trump administration, not only supports manufacturing at home and for the North American market, it is also a core driver of the global competitiveness of manufacturers in the U.S.

¹ National Association of Manufacturers (May 2025), Manufacturing in the United States, <https://nam.org/mfgdata/#KeyFacts>

The Powerhouse That Is North American Manufacturing

If American manufacturing were a country, it would be the eighth-largest economy in the world. As strong as the U.S. is alone, **together with Mexico and Canada, North America accounts for nearly one-third of global GDP**. That is nearly double China's share.

The North American co-production model enabled by the USMCA has boosted American manufacturing to unparalleled levels. Value-added manufacturing hit an all-time high of nearly \$3 trillion in 2024, accounting for nearly 10% of value-added output in the U.S. economy. Total U.S. manufacturing exports reached \$1.6 trillion in 2024.

North America accounts for one-third of global
GDP—nearly double China's share.

The USMCA helps to unlock the full opportunity of the natural trading relationship that exists among three large countries that share borders. In 2024, the total value of goods and services trade among the U.S., Mexico and Canada was about \$1.5 trillion—**the equivalent of \$2.8 million in transactions in North America every minute**. For this reason, the NAM seeks to work with the administration to ensure there is no disruption to the deeply integrated and beneficial co-production model that underlies the operations of most manufacturers in the U.S.

The USMCA Is a Manufacturing Trade Agreement

The USMCA is the most pro-manufacturing trade agreement in history. Through complementary cross-border commercial relationships and investments, U.S.-based manufacturers leverage unique and complementary regional assets to effectively outcompete all other major economies, including China.

In the face of geopolitical instability, the drive to win the technological race, the imperative of energy dominance, workforce challenges and other headwinds, the enduring advantage of geography persists. By utilizing the opportunity of the USMCA, manufacturers structure their operations to maximize U.S. strengths in R&D, product development and process innovation and increase productivity and returns.

The Gears of Regional Production

Manufacturers in the U.S. excel in R&D and design-driven activities, including innovation in everything from pharmaceuticals and lifesaving medical devices to next-generation digital technologies. Manufacturers in the U.S. also lead “learning-curve” activities from precision tools to semiconductor production, which require significant investments of capital, time and engineering to achieve exponential process improvements and productivity gains.

Manufacturing innovation in the U.S. delivers market-leading, differentiated products. Scaling to meet consumers' demand often relies on regional production. North American co-production enables manufacturers in the U.S. to scale and achieve resiliency while also remaining agile to customize production and fill orders rapidly through proximity to our own home market or exported to global markets with high U.S. content. Inputs, parts, components and sub-

assemblies move across our northern and southern borders several times among OEM and Tier 1, Tier 2 and Tier 3 suppliers in a well-oiled sequence honed through decades of supply chain optimization throughout North America.

The foundation of this model is significant cross-border manufacturing investment through which suppliers are acquired, subsidiaries formed and access to natural resources and critical inputs secured. In 2024, U.S. investors held \$116.3 billion in foreign direct investment (FDI) assets in manufacturing in Canada and over \$63 billion in Mexico.²

U.S. investors hold over one-third of FDI stock in Mexico³—far above competitors like China.⁴ These investments deliver strong returns while making manufacturers more competitive. The U.S. is also now the largest destination for investment from Mexico and Canada. Capital investment in the region has grown 134% since the implementation of the USMCA and now stands at \$219 billion.⁵ All of these factors combine to create a bigger home field advantage.

Economic Integration in North America Supports U.S. Manufacturing Jobs

Exports to Mexico and Canada support nearly 2 million American workers. U.S. global manufacturing exports—achieved in part by the competitive edge enabled by North American production networks—support 5 million American workers. Mexico and Canada are also major sources of intermediate goods and capital equipment—the inputs we need to support manufacturing expansion and more jobs in the U.S.⁶

This model not only employs Americans—it helps make America more productive and competitive. The U.S. leads in real manufacturing value-added per worker, a critical asset against large competitors. For example, U.S. manufacturing workers are nearly six times more productive than manufacturing workers in China.⁷ U.S. firms also spend more on R&D than Chinese firms.⁸ As manufacturers look to compete, the productivity advantages, supported by preferential trade and investment with Mexico and Canada under the USMCA, remain critical to both preserve and enhance.

Exports: Canada and Mexico Buy More U.S.-Manufactured Goods Than the Next Ten Trading Partners Combined

There is no more important region than North America for U.S. manufacturing trade, and none more symbiotic, characterized by longstanding supplier networks, complementary production

² Calculations are based on Bureau of Economic Analysis' (BEA) Balance of Payments and Direct Investment Position data on U.S. direct investment position abroad on a historical-cost basis by country and industry (NAICS), accessed September 29, 2025.

³ U.S. Department of State, 2024 Investment Climate Statements: Mexico, <https://www.state.gov/reports/2024-investment-climate-statements/mexico>

⁴ *China expands Mexico investment but notably lags U.S., other G7 economies*, Federal Reserve Bank of Dallas research by Brendan Kelly, September 26, 2025, <https://www.dallasfed.org/research/pubs/25trade/a2>

⁵ *USMCA at 3: Reflecting on impact and charting the future*, Brookings Institution report by Joshua Meltzer et al., <https://www.brookings.edu/articles/usmca-at-3-reflecting-on-impact-and-charting-the-future/>

⁶ Calculations based on International Trade Administration (ITA) Jobs Supported by Exports data, accessed October 31, 2025. <https://www.trade.gov/jobs-supported-exports-home-page>

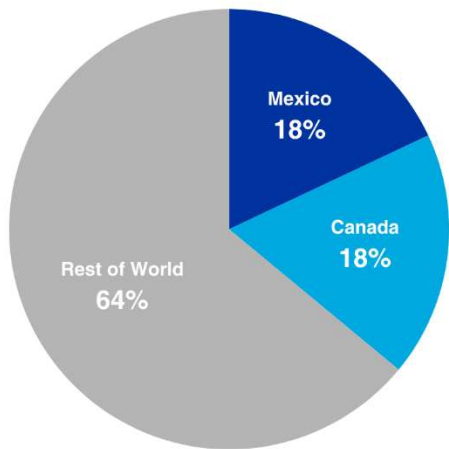
⁷ NAM calculations based on International Labour Organization data, accessed September 23, 2025, https://rshiny.ilo.org/dataexplorer38/?lang=en&id=SDG_0821_NOC_RT_A

⁸ 2023 EU Industrial R&D Investment Scoreboard, European Commission Joint Research Centre (JRC) Industrial Research and Innovation (IRI) data, accessed on October 31, 2025. <https://iri.jrc.ec.europa.eu/data>

activities and a high degree of related party transactions, reflecting the fact that manufacturers in the U.S. have significant operations throughout the entire region.

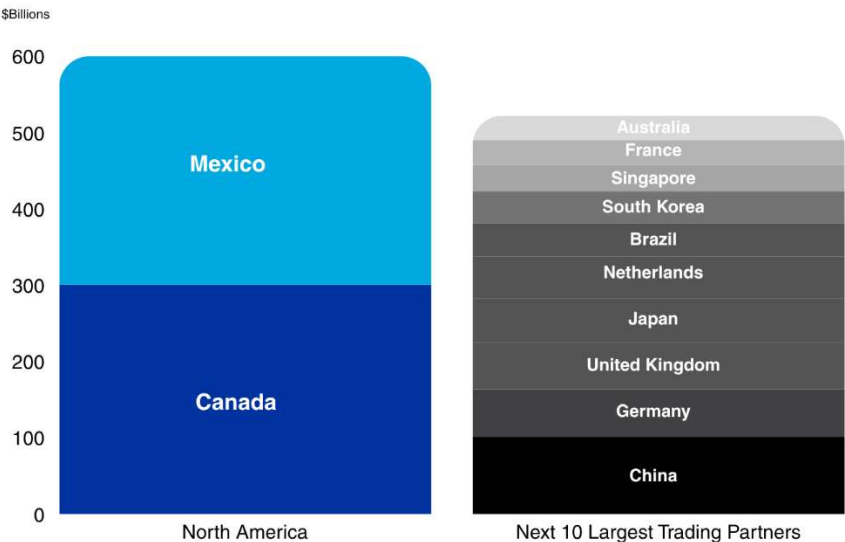
Reducing U.S. reliance on China has been a central goal in the administration’s work to diversify toward trusted trading partners. The USMCA is a key part of this strategy, and it has delivered results. **Since entry into force of the USMCA, Mexico and Canada have surpassed China as the U.S.’s top trading partners.** Canada and Mexico purchased more than one-third of U.S.-manufactured goods exports in 2024—more than the next 10 U.S. trading partners combined and nearly six times more than China.

Canada and Mexico Purchase More Than One-Third of U.S.-Manufactured Goods Exports



Source: U.S. Census Bureau, U.S. Manufacturing Exports, 2024

At \$600 Billion in Sales, Canada and Mexico Buy More U.S.-Manufactured Goods Than the Next 10 Partners Combined



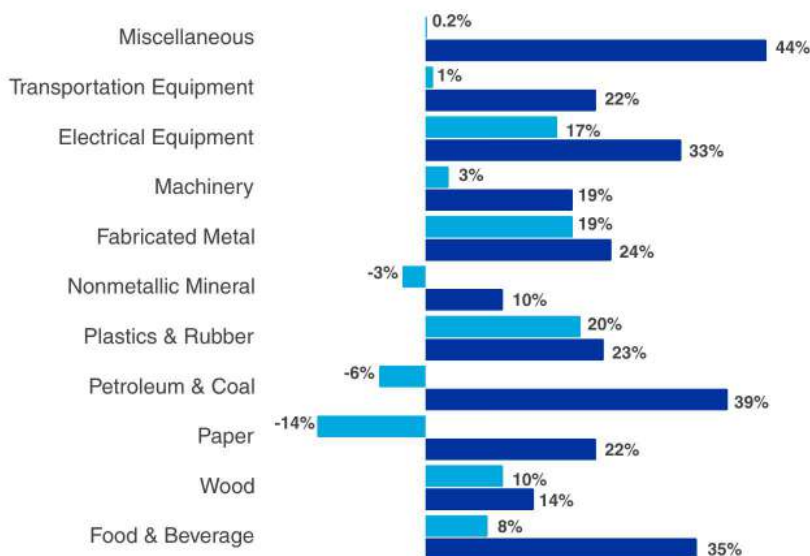
Source: U.S. Department of Commerce U.S.-Manufactured Goods Exports, 2024

Most Manufacturing Sectors Count Canada and Mexico as Their Top Markets

Most U.S. manufacturing sectors count Canada and Mexico as their top sales markets. Over the past ten years, 16 of the 21 manufacturing subsectors increased exports to Mexico and Canada and grew exports to North America faster than their exports to the rest of the world. For example, U.S. exports in food and beverage grew 27% faster, paper exports 36% faster, energy products 45% faster, machinery and electrical equipment 16% faster, transportation equipment 21% faster and miscellaneous U.S. manufacturing exports 44% faster.

For Most Manufacturing Sectors, U.S. Exports Grew Faster to Canada and Mexico than to the Rest of the World

Percentage Growth from 2014 to 2024

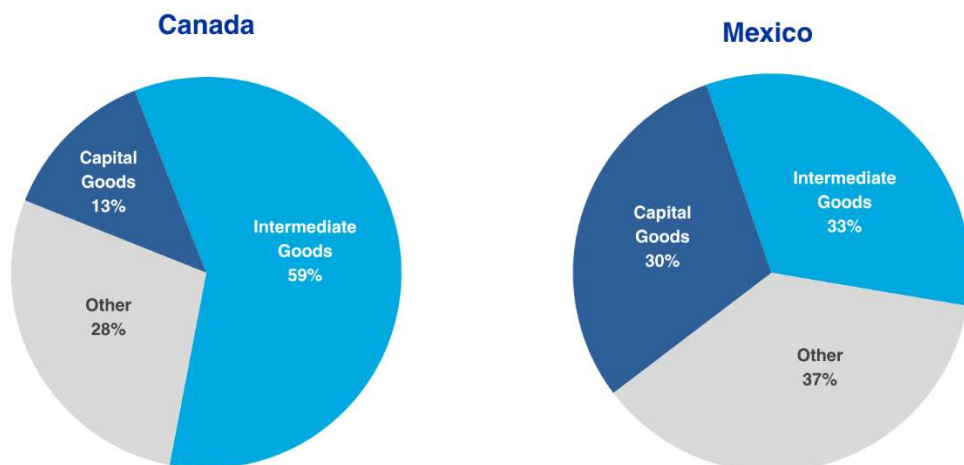


Source: U.S. Census Bureau

Imports: Mexico and Canada Are a Reliable Source of Manufacturing Inputs

Mexico and Canada are major sources of intermediate goods and capital equipment for manufacturing in the U.S. Seventy-two percent of imports from Canada and 63% of imports from Mexico are industrial materials, parts and components that go into further manufacturing in the U.S. and the machinery and equipment installed in American factories. These inputs are crucial to manufacturers' ability to make things in the U.S. From energy resources to components for automobiles and industrial machinery, imports from Canada and Mexico power manufacturing here at home.

72% of Imports from Canada and 63% of Imports from Mexico are Industrial Inputs That Go Into Further Manufacturing in the U.S.



Source: U.S. Census Bureau, 2024

Two-Way Trade: A Significant Portion of U.S. Manufacturing Trade with Canada and Mexico Is Sales Between Related Parties

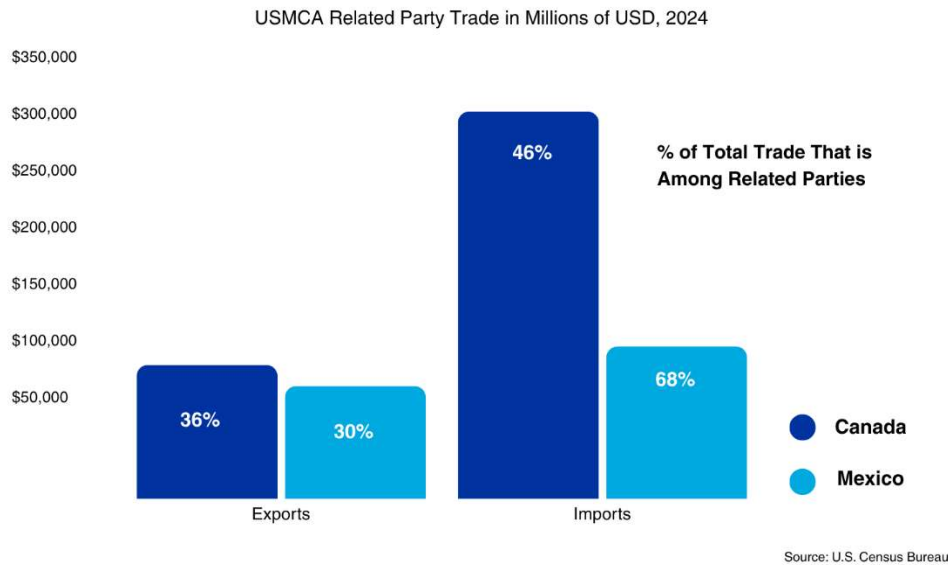
These intermediate and capital goods inputs help power America's manufacturing might. Notably, a significant proportion of U.S. manufacturing trade with Canada and Mexico is conducted by "related parties"—businesses owned wholly or partially by the same parent company.⁹ These transactions account for nearly \$200 billion in U.S. exports and over \$400 billion in U.S. imports. Over one-third of U.S. exports to Canada and nearly half of U.S. imports from Canada are related party transactions, while the same is true for 30% of U.S. exports to and 68% of imports from Mexico.

In some high-performance sectors like automotive and aerospace, these transactions account for 76% of U.S. trade with Mexico and Canada. For goods like electrical equipment, appliances and computers, the share is also high at 65%.¹⁰ This translates into substantial U.S. content in manufactured imports coming into the U.S. from Mexico and Canada. Related party under USMCA trade also supports U.S. exports of manufactured goods to markets around the world.

⁹ Title 19 of U.S. Code, Section 1401a (g)(1) defines related party trade import transactions between parties with various types of relationships including "[a] person directly or indirectly owning, controlling or holding with power to vote, 5% or more of the outstanding voting stock or shares of any organization and such organization." The Foreign Trade Regulations, 30.1, define a related-party export transaction as one between a U.S. exporter and an ultimate consignee, where either party owns, directly or indirectly, 10% or more of the other party. https://www.census.gov/foreign-trade/Press-Release/related_party/techdoc.pdf

¹⁰ NAM analysis of data reported by the U.S. Department of Commerce, accessed at https://www.census.gov/foreign-trade/Press-Release/related_party/index.html

A Significant Proportion of U.S. Manufacturing Trade with Canada and Mexico Is Among Related Parties



Competing Globally: The USMCA Has Enabled Nearshoring from China

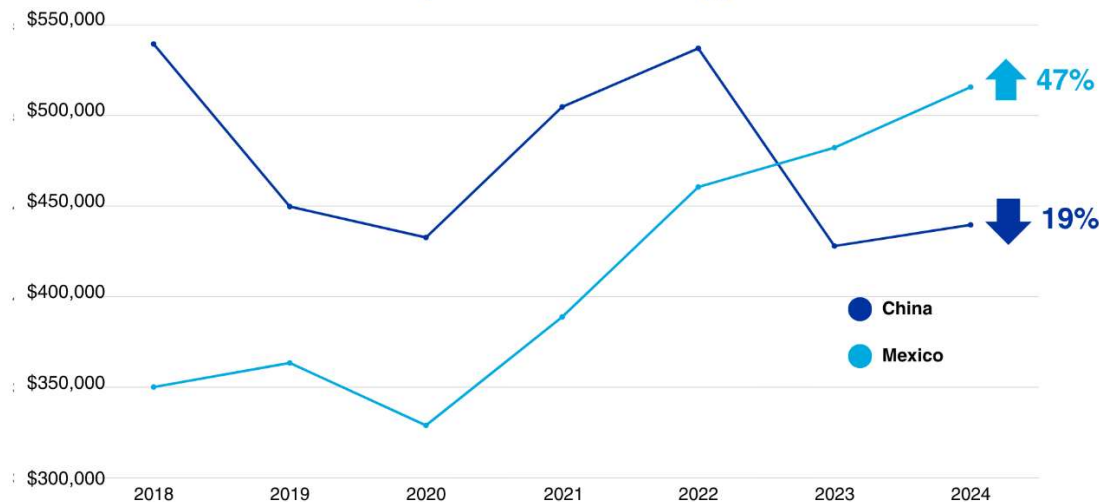
As the U.S. realigns its economic relationship with China, the USMCA has enabled Mexico and Canada to replace China as the U.S. top trading partners, with imports from Mexico growing as imports from China have fallen. Between 2018 and 2024, U.S. goods imports from China fell 19% while U.S. goods imports from Mexico increased 47%.

From 2018 to 2024, U.S. imports from Mexico grew 47% under USMCA, while imports from China dropped by 19%.

The value of imports of manufacturing inputs from North America is now three times greater than from China. And goods produced in Mexico for export to the United States typically contain about 40% U.S. content (25% from Canada) versus 4% U.S. content in imports from China.¹¹

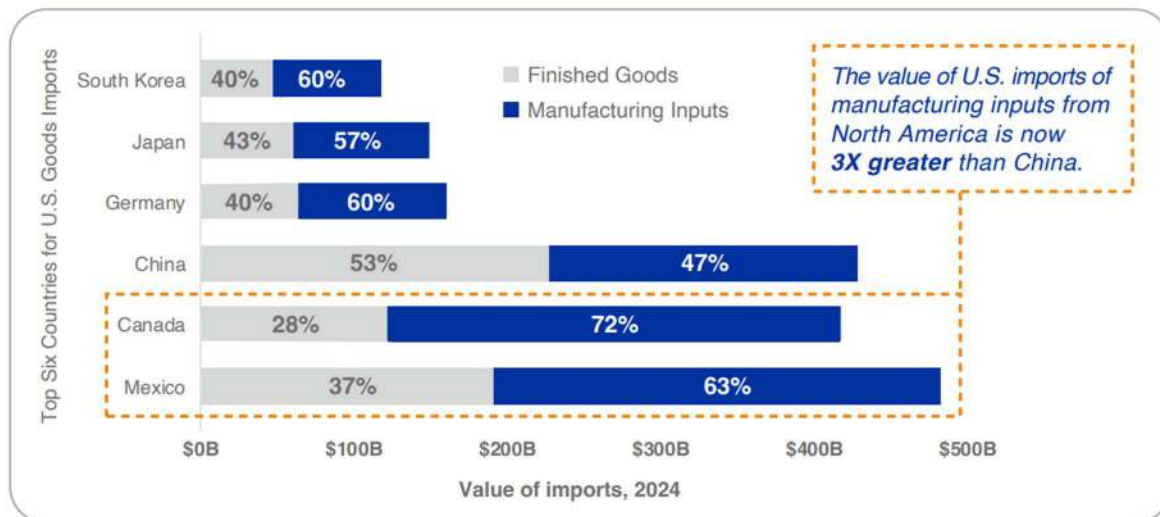
¹¹ Pia Orrenius, "Economic Outlook Deteriorates Due to COVID-19: Short and Long Run Implications for North American Supply Chains," Federal Reserve Bank of Dallas, May 13, 2020.

Under USMCA, U.S. Imports from Mexico Grew 47% While Imports from China Dropped 19%



Source: U.S. Bureau of Economic Analysis, 2024

1/3 of all U.S. imported manufacturing inputs now come from Canada and Mexico



U.S. Automotive Industry Thrives Under the USMCA

The certainty and stability provided by the USMCA has propelled growth in America's automotive manufacturing sector. In its most recent report, the U.S. International Trade Commission notes that annual announced investments in vehicle manufacturing in the U.S. more than doubled in the four years following the agreement's enactment, jumping from \$21.4

billion to \$56.6 billion.¹² The U.S. automotive industry accounts for more exports to Mexico than any other industry, accounting for about one-third of all exported goods.¹³ The USMCA has proven a tremendous boon for America's production of vehicles and parts, attributable to important flexibilities, which allow OEMs to take advantage of a strong, integrated North American supply chain while prioritizing their U.S. footprints.

NAM Recommendations for USMCA Review

Assure Operational Continuity

Geographic proximity with Mexico and Canada provides a unique combination of reliability and resilience for American manufacturing and its supply chains. For manufacturers in the U.S. that compete globally and that are critical suppliers to those that compete globally, leveraging fully the assets and strengths of the North American platform is central to weathering economic and noneconomic vulnerabilities in today's global economy. In grappling with geopolitical risks and the mounting impacts of nonmarket unfair trade practices, manufacturers prioritize security and reliability of supplier networks over low-cost considerations. With partners in Mexico and Canada, cross-border trade achieves these long-term security benefits while also shortening supply chains. Just as the overriding goal of manufacturers is to assure and optimize continuity of their operations, the objective of the USMCA review should be the same. The joint review provides an opportunity to make process improvements, but to do so while assuring continuity.

Troubleshoot to Make Process Improvements

Cut Red Tape at the Border

Procedures at the border can be further streamlined to ensure timely delivery of critical industrial inputs for manufacturing expansion in the U.S. and to ensure energy products are moving more efficiently throughout North America in support of energy security. Although this should be an ongoing initiative pursued by the parties through various customs-related committees and working groups, the review provides a focused opportunity to discuss how to standardize and further digitize customs and other border agency forms, to automate compliance procedures and to develop processes for working with the private sector to identify and address bottlenecks at the border as they arise.

The borders shared by the USMCA countries should be the most technologically advanced ones in the world, pushing the envelope on the use of artificial intelligence and other emerging technologies. The NAM also recommends continuing to exempt USMCA-compliant goods from the Merchandise Processing Fee, exploring ways to improve the interoperability of single window systems across the three countries, including with non-customs agencies, and expanding and formalizing customs cooperation programs at the border like the Unified Customs Processing (UCP) program piloted by U.S. Customs and Border Protection and Mexico's customs authorities.

¹² "USMCA Automotive Rules of Origin: Economic Impact and Operation, 2025 Report," U.S. International Trade Commission, <https://www.usitc.gov/publications/332/pub5642.pdf>

¹³ "What is the value of U.S. trade with Mexico? USA Facts," accessed Oct. 28, 2025, at <https://usafacts.org/answers/what-is-the-value-of-us-trade/countries/mexico>

Promote Greater Use of Existing Rules of Origin

Certification of Origin (COO) documentation is required to demonstrate regional content to obtain USMCA preferences. Prior to the imposition of IEEPA and Section 232 tariffs, many companies—particularly small and medium-sized manufacturers that serve as Tier 2 suppliers or Tier 3 suppliers—did not certify origin, even though their goods met the regional content requirements due to the administrative burdens. The NAM recommends that the parties consider the direct and indirect costs of the COO process with a view to reducing the significant administrative burden on SMMs.

For example, Federal Reserve research estimated the cost of USMCA sourcing documentation requirements as equivalent to a 1.5% to 2.4% tariff increase.¹⁴ By some reports, only 50% of imports from Mexico and 38% of imports from Canada—including many USMCA eligible products—claimed preferences under the agreement in recent years, in large part due to these compliance burdens.

The preference usage rates are not indicative of the ability of manufacturers today to comply with the rules of origin (ROO), but rather an indication of underutilization of the agreement's current ROO. Working with the industry, the parties should explore ways to achieve greater usage of the current agreement by addressing existing hurdles to document compliance and aligning documentation requirements across the U.S., Canada and Mexico to the greatest extent possible. For example, expanding the use of long-term supplier declarations that are valid over multiple years and agreement to accept other commonly used or preexisting documentation as the basis for proving origin of goods would help facilitate greater utilization of USMCA preferences without creating additional burden. At a minimum, certification validity periods should be maintained.

Seek Input When Refining Rules of Origin

The USMCA ROO can be complex depending on the product. The rules work very well in most cases and should be continued, for example the chemical reaction rule and the use of a simple tariff shift rule for most USMCA goods. In some cases, manufacturers see room for very targeted improvement. For example, a tariff shift is typically required at the HTS chapter level under the current ROO, but in some cases, this may not be appropriate. There may also be key inputs, such as chemical inputs, that cannot be sourced within North America such that de minimis thresholds may need to be adjusted. Given the unique circumstance of each sector, the NAM strongly recommends detailed consultations with manufacturers well in advance of any proposed changes to ROOs, which, if considered, should be marginal and implemented with appropriately meaningful phase-in periods.

Ensure Robust North American Automotive Manufacturing

The NAM recommends ensuring the USMCA continues to support a vibrant North American automotive manufacturing ecosystem. This should preserve the measures that are working well now while making targeted improvements based on regular industry engagement and with sufficient phase-in periods to allow manufacturers to adjust appropriately. This could include

¹⁴ "Trade Compliance at What Cost? Lessons from USMCA Automotive Trade," FEDS Notes by Spencer Bowdle and Fariha Kamal, July 18, 2025, <https://www.federalreserve.gov/econres/notes/feds-notes/trade-compliance-at-what-cost-lessons-from-usmca-automotive-trade-20250718.html>

working with the auto industry to simplify USMCA compliance certifications through a common reporting format, updating the application of content rules to be agnostic to the powertrain they support and working to strengthen the automotive supply chain for critical minerals. The NAM can support the administration in engaging with manufacturers on these issues.

Protect Cross-Border Investments

Energy and telecommunications are critical inputs for manufacturing. From AI data centers and semiconductor fabs to steel mills and auto plants, manufacturing requires access to affordable, reliable energy and high-speed broadband connectivity, and demand will only increase. At this pivotal moment, however, a challenging investment climate remains a major impediment to deploying energy and telecommunications assets in Mexico. Constitutional reforms have enshrined the privileged position of PEMEX and CFE in Mexico's energy and telecommunications market and undermined the impartiality of the judiciary in adjudicating commercial disputes.

Many of the problems raised during the 2022 consultations under the USMCA over Mexico's energy policies have only worsened. For many American energy producers and distributors, Mexico is practically closed for business. The U.S. government should promote strong protections for U.S. cross-border investment in energy to power American manufacturing in Mexico and the U.S. Investor rights should be pursued in state-to-state dispute settlement but also by expanding the opportunity to use Investor-State Dispute Settlement (ISDS), given the worsening ability to pursue private rights of action through Mexico's legal system.

Address State-Owned Enterprise Behaviors That Stifle Opportunities for Private Enterprises

Unfair competition with state-owned enterprises (SOEs) leads to inefficiencies in the market, higher costs for industrial consumers and lost commercial opportunities for manufacturers in the U.S. Preferential treatment for Mexico's energy SOE, PEMEX—including exemptions from stricter inventory requirements, GPS tracking rules and mandatory inspections that private operators face—has crowded out private investment. PEMEX's continued losses and declining output is to Mexico's own detriment and to the detriment of U.S. investors in Mexico who rely on energy for their operations.

Changes to Mexico's constitution granted CFE TEIT, an SOE and subsidiary of the public electricity company, privileges to provide internet services and subsidies by waiving fees for using Mexico's radio spectrum, thereby altering competitive conditions in the market and infringing on private companies' rights, contrary to Chapters 18 and 22 of the USMCA. A law enacted in July 2025 allows SOEs to simultaneously hold commercial and public telecommunications licenses, further undermining private competition.

The NAM supports strengthening SOE provisions in the USMCA to ensure private enterprise can compete alongside SOEs in Mexico or Canada and to ensure upgraded provisions address the practices of non-Mexican and non-Canadian SOEs. These should include provisions to address noncommercial assistance provided to SOEs that enable commercially unviable investments, extending disciplines to private enterprises that receive noncommercial assistance from SOEs themselves and expanding disciplines specifically for energy and telecommunications sectors, including exploration, refinement and retail for oil and gas as well as electrical generation and transmission and internet services. The NAM would like to work with the USTR to further develop these ideas.

Improve Transparency of Rapid Response Mechanism

Currently, employers are unable to see allegations against them under the USMCA Rapid Response Mechanism (RRM) and are often unaware until a formal investigation has been initiated. The NAM recommends improving the transparency of the RRM, creating more opportunities for employers to participate meaningfully in the process. This could include establishing clear and consistent procedures and timelines, clarifying standing and evidentiary requirements for petitions and taking measures to prevent duplicative filings.

Strengthen Protections Against Expropriation

Expropriation of U.S.-owned assets such as ports, land or contracts without due process or fair compensation undermines the rule of law, weakens investor confidence and erodes the foundation of the USMCA. In one prominent example, the illegal shutdown and expropriation of Vulcan Materials Company's deep-water port and quarry in Mexico's Yucatán Peninsula by the Mexican government is a clear violation of the bedrock principles of the USMCA. The NAM recommends the USTR pursue immediate resolution to the Vulcan case and strengthen enforceable protections against such actions. This is especially critical in light of recent judicial reforms in Mexico that undermine the independence of the courts and limit the ability of U.S. investors to seek fair and impartial judgments in response to unlawful and unfair actions against American investors.

Implement Standard Operating Procedures with Real-time Feedback Loops

To stay best in class, the parties, in regular consultation with manufacturers, should discuss process improvements that keep the North American manufacturing gears turning. In the lead-up to the review, governments will undertake bilateral commitments to implement and improve the functioning of the agreement. This should be the standard operating procedure rather than an annual conversation. Manufacturers can provide real-time feedback loops so that the parties can keep the agreement in good working order.

For example, the U.S. should propose quarterly meetings among the parties with the private sector to discuss technical regulations, standards and conformity assessment issues that are emerging and could be addressed before they become barriers to North American trade. Similarly, the USMCA established dozens of working groups and committees that remain underutilized but would provide for continual maintenance without requiring these issues be undertaken in any annual review.

They include standing groups to discuss trade facilitation and customs cooperation, intellectual property protections, implementation and expansion to the subcentral level of SOE commitments and the functioning of ROO. For many of these topics, it would be beneficial to discuss obstacles to full utilization of the agreement by stakeholders and include opportunities for stakeholder dialogue. By enabling input from the private sector, the agreement can remain evergreen and responsive to constantly changing business conditions. It is unclear whether or how often some increasingly important groups meet.

For example, given the deteriorating legal environment in Mexico, the parties should activate and use the Advisory Committee on Private Commercial Disputes to promote more effective resolution of international commercial disputes between private parties in the USMCA free trade area. Similarly, the parties should establish a permanent process for the interested public to participate in the work of the USMCA Trade Facilitation Committee to help government partners

understand how border policies can help (or hurt) North American supply chains. The parties should engage more actively in the Committee on Good Regulatory Practices to ensure regulations are developed with proper notice and opportunity for public input, the lack of which has been a particular challenge in Mexico. The parties, working with the private sector, could also build on past efforts to coordinate on responses to emergencies by jointly identifying, preparing for and mitigating the impacts of supply chain disruptions.

Staying Agile—Building on the USMCA

North American Cooperation in Critical Minerals

Manufacturers utilize critical minerals extensively, deploying them in a wide array of manufactured products throughout the U.S. economy—including in aircraft and defense systems, in automotive parts and vehicles, in electric grid components, in robotics and industrial automation, in personal electronics and much more. Despite our abundant domestic sources, the U.S. remains highly import-reliant for many of the critical minerals identified by the U.S. Geological Survey, with China as the primary source for key minerals including tantalum, tungsten, germanium, zinc, gallium, graphite and rare earth elements (REEs), among others.¹⁵ The U.S. is also reliant on imports of silicon, magnesium, manganese, titanium and nickel, while aluminum is a critical metal with substantial trade exposure.

As the administration advances action, such as permitting approvals, to ramp up domestic production of critical minerals, Mexico and Canada can supplement these efforts by providing their own unique endowments of natural resources required for more manufacturing in the U.S. Canada is a major producer of several critical minerals the U.S. imports from China or elsewhere. Mexico holds abundant reserves in minerals, including silver, zinc, lead and copper.¹⁶

The NAM supports developing a critical minerals agreement as a corollary to the USMCA review with the goal to expand production and processing of critical minerals and develop integrated North American critical mineral supply chains.

Ensure USMCA Tariff-Free Trade in Critical Minerals

Many minerals within North America are mined in one country and processed in another. Nearly all finished critical minerals that are refined in Mexico and Canada end up back in the U.S. domestic market. In short, manufacturing in the U.S. is fueled by the cross-border movement of raw and refined minerals. The NAM supports maintaining duty-free trade in critical minerals and related products under the USMCA. This will ensure manufacturers have reliable, secure and cost-effective access to critical inputs and support the scaling of U.S. domestic mining and processing projects.

¹⁵ See NAM [comments](#) on the Department of Commerce Section 232 Investigation on Imports of Critical Minerals.

¹⁶ “Mexico Hampers Critical Minerals Development,” NAM News Room, November 1, 2024, <https://nam.org/mexico-hampers-critical-minerals-development-32490/>

Align Regulatory Frameworks to Accelerate Investment

The NAM recommends negotiating commitments to align regulatory approaches related to mining and processing critical minerals. This could include sharing best practices from the administration's recent progress on permitting reform and rolling back restrictive policies like those in Mexico's move to nationalize lithium mining and its current freeze on new mining concessions.

Catalyze Cross-Border Investments in Critical Minerals Projects

The NAM supports securing beneficial foreign direct investment terms under the USMCA to catalyze investment in critical minerals projects across North America. These could include mechanisms to pool public and private capital among USMCA countries to co-invest in projects, paired with long-term offtake agreements to provide a clear market signal. The Defense Department's investment and purchase commitments with MP Materials and the Energy Department's co-investment in Lithium America's Thacker Pass lithium mine are recent examples of the public and private sectors exploring new and innovative partnerships.

The three governments should explore mechanisms to align efforts across the U.S., Mexico and Canada on accelerating the life cycle for critical mining projects, such as ongoing and proposed efforts by the Export-Import Bank and the U.S. Development Finance Corporation to conduct feasibility studies, map resources and de-risk private capital through loan guarantees, equity investments and political risk insurance. As the administration looks to utilize the Defense Production Act to advance critical minerals projects pursuant to Executive Order 14241, the three governments as a corollary to the USMCA review should also look for ways to facilitate joint projects like Fireweed Metals' Mactung tungsten mine, jointly funded by the U.S. Defense Department and Canadian Department of Natural Resources.

Coordinate Stockpiling and Align Government Procurement

Stockpiling critical minerals in strategic reserves can serve the dual purpose of providing a safety valve against disruptions of supply in times of crisis while also sending a market signal to further accelerate investment. Likewise, aligning government procurement of critical minerals, including exploring joint procurement projects, can ensure maximum impact in supporting expanded capacity while avoiding bidding wars. The NAM supports leveraging institutional structures under the USMCA to facilitate coordination on stockpiling and procurement to support North American critical minerals production.

Establish a Critical Minerals Initiative Under the North American Competitiveness Committee

Accelerating the lengthy process of opening a mine or bringing online critical mineral processing capacity requires creative ideas and close coordination with the private sector. This is exactly the kind of initiative the NACC was designed to undertake. The NAM recommends establishing a designated critical minerals initiative under the NACC with the mission to identify bottlenecks and limiting factors that are holding back North American critical minerals production. This initiative should ensure active and ongoing engagement with the private sector, and the NAM can facilitate regular workshops with manufacturers.

Unleashing North American Energy Dominance to Fuel Manufacturing

Ensuring regional energy security boosts economic growth and global manufacturing competitiveness. The NAM supports strengthening our regional energy integration and streamlining processes while reducing administrative costs as part of the USMCA review.

U.S. energy dominance relies on natural resources, such as crude oil from Canada, and integrated product supply chains. Expanding the market for oil and gas and related products benefits industrial customers by encouraging the development of new technologies, new business models and the efficient production and distribution of goods.

To further unleash North American and U.S. energy development, duty-free treatment should extend beyond USMCA-qualified products to items critical to energy exploration, production, energy products and feedstocks, including certain items under Section 232 and derivative tariffs, and any energy product items covered by Annex II of Executive Order 14252 that are not USMCA-compliant.

Strengthen North America's Regional Energy Security

The NAM recommends leveraging the USMCA review to strengthen regional energy integration to achieve the administration's energy dominance goals. This should include a) streamlining approval processes for import permits and investments to speed the time for projects to deliver output; b) maintaining a duty-free energy market across North America; and c) addressing persistent nontariff barriers in Mexico's energy market, including permitting issues for energy products, onerous inspections and audits, and other requirements that stifle private investment in energy.

Promoting a North American AI Platform

The race for global AI dominance is on, with the U.S. and China locked in a competition for who will develop the most innovative and transformative—and dominant—models. Manufacturing is at the center of this competition, from the graphics processing units and servers that fill AI data centers to the electrical generation, transmission and transformers that power these models.

In addition, manufacturers are important adopters of AI. Manufacturers use AI to make factory floors safer, to accelerate the rate of product and process improvements for better, cheaper products and to ensure real-time visibility throughout facilities and supply chains to catch malfunctions or stoppages as soon as, or even before, they happen.

To win the AI race, the NAM recommends leveraging the USMCA to ensure American innovators can draw on the collective strength of the U.S., Mexico and Canada.

Protect and Strengthen Digital Trade Provisions

The USMCA contains best-in-class provisions to protect the flow of data among North America. These provisions need to be enforced vigorously. The flow of data, particularly industrial data, is critical for manufacturers, particularly as they work to gain better visibility into their supply chains. The NAM supports retaining and, where possible, strengthening the digital trade provisions under the USMCA.

Invite Mexico and Canada to Join the AI Action Plan

The NAM strongly supports the AI Action Plan released by the White House in July 2025, which lays the groundwork for U.S. AI innovation and leadership. A key provision of the AI Action Plan embodies the administration's goal to promote the export of a globally competitive American AI tech stack. Mexico and Canada can serve as partners in this endeavor, including providing key inputs (e.g., energy, capital goods, components, training data) to build out the strongest stack possible. As part of the USMCA review, the NAM recommends formally inviting Canada and Mexico to sign on to the AI Action Plan and to establish a mechanism under the NACC to facilitate cooperation on building a North American AI tech stack.

Building the Defense Industrial Base Through North America

Manufacturing is not just about commercial success—it is about national security. From the equipment that protects America's warfighters to advanced weapons platforms that protect the homeland, American manufacturers make the U.S. safer.

During World War II, American industry earned the nickname the "Arsenal of Democracy," but importantly, we were not alone. That arsenal was built with the support of our neighbors in Mexico and Canada, providing critical materials and additional workforce to produce the weapons that won the war and set the stage for the American century that followed. As the U.S. revitalizes its defense industrial base amid an increasingly complex geopolitical landscape, the NAM recommends exploring ways to leverage North American supply chains to build a stronger, more innovative and more resilient 21st-century "Arsenal of Democracy." Building on the long-standing defense partnership and NATO alliance between the United States and Canada, the NAM supports deeper industrial base cooperation to ensure that supply chain interoperability complements the operational interoperability of the two countries' armed forces.

Provide World-Class Defense Systems to Canada

Canada, as a part of NATO, has committed to increase defense spending to the NATO target of 2% of GDP for fiscal year 2025-2026 and joined NATO allies in pledging to reach 5% of GDP by 2035. As Canada increases its defense procurement, manufacturers in the U.S. should be their partner of first choice. The NAM recommends leveraging the USMCA joint review to identify ways to strengthen foreign military sales and direct commercial sales of military hardware to help Canada strengthen its own national defense while helping invigorate the U.S.-based defense industrial base.

Strengthen Trade in Civil Aviation to Support the Defense Industrial Base

U.S. aerospace is vital for innovation and economic growth, but it also supports an industrial capacity critical for national defense. North America is a global leader in civil aviation manufacturing in part due to the zero-for-zero tariff environment provided by the Agreement on Trade in Civil Aircraft, to which the U.S. and Canada are parties and the commitments of which Mexico honors. The agreement has led to a positive U.S. trade surplus, job creation, workforce development, investment and global competitiveness for the U.S. industry. We encourage the administration to ensure the commitments of the agreement continue to be upheld within North America, such as by ensuring similar treatment of civil aircraft that is found in the U.S.–Japan, U.S.–EU and U.S.–U.K. trade deals recently concluded by this administration.

Quality Control: Maximizing USMCA Benefits for Manufacturers

A North American Approach to Address Unfair Trade Practices by Nonmarket Economies

Economic security is a regional matter. The USMCA contains the most advanced provisions of any free trade agreement in the world when it comes to addressing unfair trade practices by nonparties to the agreement. But more can be done to establish an effective enforcement baseline and ensure that the benefits of the USMCA accrue to the parties and benefit manufacturers with investments and operations throughout the region.

Effective Measures to Address Artificially Cheap Goods

The NAM supports robust and effective enforcement of anti-dumping and countervailing duty laws to ensure subsidized and artificially cheap goods, particularly from nonmarket economies, do not flood the U.S. market at the expense of our manufacturing base. Given the well-documented challenge of circumvention of antidumping/countervailing duty measures, the three governments could explore commitments to increase confidential information sharing pertinent to AD/CVD investigations and establish automatic triggers to launch an investigation if one country does so. This could ensure that the deliberative, evidence-based approach to AD/CVD investigation and enforcement moves faster and avoids gaps that bad actors can exploit.

Work Together to Combat Transshipment and Misclassification

The benefits of the USMCA should accrue to manufacturers and workers from the United States, Mexico and Canada. While the USMCA has borne fruit for manufacturers in the U.S., the USMCA review could be used to better understand whether there are loopholes that competitors exploit to gain access to the U.S. market, including through “ghost mills” and customs fraud. Mexico has yet to fully fulfill its obligations to establish an Aluminum Import Monitoring (AIM) system aimed at addressing some of these issues.

The NAM supports establishing a joint working group with Mexico and Canada to combat transshipment and misclassification. This working group should focus on increasing effective enforcement against outright customs fraud, such as through information sharing between authorities and coordinated operations. These efforts should avoid administratively burdensome requirements on good actors, which would raise compliance costs while doing little to address the problem.

Develop a Coordinated Approach to National Security Tariffs

As the administration works to address national security concerns, the NAM recommends treating Mexico and Canada as trusted partners, leveraging the USMCA review to strengthen coordination and address shared vulnerabilities. For example, the governments could explore ways to coordinate national security trade actions, so that if one country identifies a national security threat from imports, all three countries can jointly respond while maintaining uninterrupted trade within the USMCA. Having established those joint measures and having implemented common measures to prevent transshipment and customs fraud, the U.S. should not maintain unilateral national security tariffs on qualifying goods under the USMCA.

Work Together to Screen Investments for Security Risks

In recent years, policymakers have grown increasingly aware of the potential security risks posed by certain foreign investments, such as to acquire innovative technologies with potential military or intelligence applications or access user data for potential surveillance. The U.S. and Canada already screen foreign investments for national security concerns, and Mexico is considering its own measures.

These efforts could be more effective through greater coordination, such as information exchange or joint notification mechanisms, to ensure these investments—particularly those utilizing complicated or opaque ownership structures—do not bypass screening from any individual country. The NAM recommends exploring closer cooperation on investment screening under the USMCA to ensure manufacturers in the U.S. can build their supply chains without concerns about investments, for example, by state-owned or state-directed enterprises, creating vulnerabilities.

Troubleshooting Operational Issues in Mexico and Canada

Address Concerns with SAT

Manufacturers are increasingly reporting aggressive tactics by the Mexican tax authority, Servicio de Administración Tributaria (SAT), including excess and unwarranted audits, challenging of USMCA certificates of origin and revocation of import licenses and VAT certifications for routine paperwork errors, all while allowing minimal time for corrections. It has become routine to charge exorbitant—and often retroactive—tax bills as penalties without appropriate paperwork. The NAM recommends the USTR investigate these issues to ensure that efforts to enforce compliance with Mexican tax and customs laws are neither discriminatory nor invalidate the benefits of the agreement, and push for the Mexican government to provide greater clarity and transparency around documentary requirements and verification procedures for COOs.

Ensure the Integrity of IMMEX

Manufacturers utilizing the Industria Manufacturera, Maquiladora y de Servicios de Exportación (IMMEX) program report that recent modifications are undermining their ability to participate. The Mexican government has introduced onerous requirements, including requiring participants to grant online and real-time access to company inventory management systems. These intrusive and excessive disclosures have led many companies to exit the program, and difficulty with compliance recently led the Ministry of Economy to cancel certifications *en masse*. Furthermore, some companies report double VAT taxation by SAT for the same product, once during the component stage and once during the finished product stage, even though participation in IMMEX should preclude that outcome.

Improve Customs Processes

Cutting red tape and minimizing delays at the U.S.–Mexico border supports manufacturers in the U.S. by ensuring timely delivery of critical inputs. Despite commitments on trade facilitation and customs cooperation under the USMCA, manufacturers experience long delays due to exhaustive and inefficient inspections by Mexican customs authorities. Mexico has also failed to implement certain commitments under USMCA Chapter 7 on Trade Facilitation, including by limiting the number of ports that customs brokers can operate in, disregarding the “communication with traders” provisions of the chapter and failing to implement a periodic payment option for express delivery. Changes last December to the Manifestación de Valor (Declaration of Value) process have similarly led to additional costs and delays at the border. The USMCA envisioned routine and robust discussions among the parties through the Committee on Trade Facilitation (Article 7.24) to address measures inconsistent with USMCA obligations, and to reduce friction at the border that undermines the agility of North American manufacturing supply chains.

Reduce Barriers to U.S. Medical Device and Pharmaceutical Exports

Manufacturers in the U.S. lead the world in the research, development and production of innovative pharmaceuticals and medical technologies, but Mexico’s inspection and import permit requirements continue to pose market access barriers for U.S. exporters. Import delays that stretch years undercut U.S. exports and market share while ultimately denying timely access of health care technologies to patients in Mexico. Mexico’s Federal Commission for the Protection against Sanitary Risk (COFEPRIS) recently enacted simplified and streamlined requirements for medical devices and pharmaceuticals. However, COFEPRIS has been inconsistent in its use of this review pathway, resulting in significant approval delays that prevent market access. Additionally, proposed amendments to Mexico’s marketing authorization procedures that would restrict expedited approval pathways to companies with local manufacturing facilities would violate its national treatment obligations under the USMCA. The parties should deepen cooperation under Annexes 12-E and 12-F to ensure competitive market access for U.S. medicines and medical technologies.

Roll Back Restrictions on American Investment in Mining

The USMCA can provide a catalyst to build out critical mineral supply chains across North America. These efforts are hamstrung by restrictions in Mexico on mining, particularly the nationalization of lithium resources—a critical material for batteries and energy systems—and limitations on private companies on the exploration and utilization of these resources. This follows a similar story to PEMEX in the oil and gas sector. Mexico should roll back these restrictions, opening lithium mining up to private enterprise, including manufacturers in the U.S., to unlock these resources more efficiently.

Fully Protect U.S. Intellectual Property Rights

Mexico passed the Federal Law for the Protection of Industrial Property (LFPPI) in July 2020 as part of a package of five bills to implement USMCA provisions. However, to date, the Mexican Institute of Industrial Property (IMPI) has not issued the follow-up regulations to implement important intellectual property rights (IP) protections, such as patent term adjustment (PTA) and patent linkage, among others. As a result, manufacturers continue to experience IP violations in Mexico, harming innovation and allowing generics in China to take market share away from U.S. companies operating in Mexico. Marketing authorizations are granted to copycat generic

manufacturers without regard to the existence of a valid patent on the product, in violation of Article 20.50 and Annex 20-A in the USMCA, which establish standards and obligations for the parties regarding effective patent linkage systems.

In some cases, the Mexican government has even proceeded to international tenders of medicines with valid patents. Despite the presentation of direct evidence to Mexican authorities, the infringing companies are still able to participate in government tenders, and IMPI is not enforcing its laws or issuing injunctive relief. Recent court precedents have compounded these challenges, undermining patent usage by preventing their publication in the linkage gazette and allowing injunctions against products that infringe industrial property rights to be lifted without sufficient legal justification.

There is also a serious backlog at COFEPRIS for the authorization of clinical trials and approval of new medicines. Years long delays in marketing approval from the Mexican government are a major hurdle for pharmaceutical manufacturing companies operating in the country. Just 25% of new medicines launched globally since 2012 are available in Mexico. Changes made by the current administration are exacerbating delays. For example, approval of Mexico's New Molecules Committee is now required prior to filing a marketing authorization request, companies report excessive times before approved medicines are included on the public formulary, and the five-year marketing authorization renewal process significantly exceeds its statutory timelines. Mexico's practices are inconsistent with Annex 12-F of the USMCA.

Regarding trademark protections, Mexico continues to curtail the use of trademarks related to food and beverage products. The USMCA establishes clear commitments to strengthen IP enforcement, including provisions related to trade dress and unfair competition. Trade dress protection is essential to prevent consumer confusion, counterfeiting and brand dilution. The NAM recommends the USTR to monitor unfair competition and trade dress infringement proceedings in Mexico closely and to press Mexican authorities to meet its commitments under Articles 20.5, 20.19 and 20.79 of the USMCA.

In Canada, manufacturers remain concerned about Section 51.1 of Quebec's Charter of the French Language (referred to as Bill 96), which mandates significant labeling and packaging changes for manufacturers to include French translations of non-French trademarked items, potentially upending decades of IP law, creating burdens for manufacturers and limiting access to the Quebec market.

Canada also does not provide restoration mechanisms that are consistent with USMCA commitments. The USMCA requires Canada to provide a PTA for unreasonable delays during the prosecution and issuance of any patent. However, Canada has created a PTA framework, which includes inequitable barriers that constructively undermine the treaty provision and which will prevent American patent holders from obtaining compensation for unreasonable delays. The process to apply for PTA is burdensome and costly and creates significant market uncertainty. The Canadian government should provide up to five years of patent term restoration that runs consecutively with PTA instead of concurrently.

In addition to seeking redress on these issues, the NAM recommends the USTR further strengthen the IP protections for innovative medicines in the USMCA, including negotiating commitments for long-term (e.g., 10 years) data protections for biologics.

Press Canada to Update the CARM Database

NAM members continue to face problems with the Canada Border Services Agency's Assessment and Revenue Management (CARM) system, including issues with the availability and accuracy of import and export data through the system, the stability of the system and the administrative burden of working within the system. Importer registration rates remain very low under CARM, in part due to these problems, requiring the CBSA to install various contingency measures. The CBSA should consider making these measures permanent, along with other changes to CARM, to alleviate the bottlenecks caused by the program. The NAM recommends raising this with Canada during the USMCA review.

Unfair Government Procurement Practices

Since 2018, Mexico has made frequent and nontransparent changes to its public procurement system, often with unreasonable implementation timelines. In the case of procurement for medicines, these changes created substantial market access barriers that led to supply chain challenges and product shortages. The Mexican government also issued a decree in June 2025 linking public-sector pharmaceutical purchases to domestic production and/or investment, which is inconsistent with several of its USMCA obligations.

Similarly, recent government procurement practices in Canada may not align with its obligations under Chapter 13 of the USMCA, particularly with respect to national treatment and nondiscrimination requirements (Article 13.4.1). Concerns of unfair treatment to U.S. companies include potential preferences for locally produced vaccines, provincial preferences not considered in the federal procurement process, price trumping recognized value, winner-take-all tenders and a lack of transparency and fairness in procurement processes. The NAM recommends raising these issues with Mexico and Canada and pushing for resolution under the joint review.

Artificial Devaluation of Innovative Medicines and Regulatory Delays

In Canada, the Patented Medicine Prices Review Board (PMPRB) sets maximum prices for all patented medicines sold to public or private payers by referencing prices in other countries. Changes made in 2021 have artificially devalued those prices, negatively impacting patent holders for innovative medicines. Additionally, it takes approximately two years following regulatory approval for a medicine to reach patients insured on public drug plans in Canada. This is due to lengthy sequential administrative processes and federal-provincial pricing negotiations through the pan-Canadian Pharmaceutical Alliance (pCPA) before individual jurisdictional funding agreements. The NAM recommends the USTR press Canada to address these challenges to ensure that innovative medicines from the U.S. do not face undue burdens or barriers to reaching Canadian patients.

Eliminate Discrimination in Spectrum Fees

The Mexican government has not responded to requests by the USTR and the former Mexican telecommunications regulator Instituto Federal de Telecomunicaciones (IFT) to align Mexico's annual spectrum fees to international standards. The high and discriminatory cost of spectrum has proven to hinder investments to deploy new technologies and digital infrastructure.

Level Playing Field in Mexican Telecommunications Market

Manufacturers in the U.S. produce world-leading telecommunications hardware, but barriers remain to competing in the Mexican market. The NAM recommends leveraging the USMCA review to press Mexico to ensure a level playing field in the telecommunications market, including by maintaining and properly enforcing regulations for the “preponderant economic agent” using the definitions established in the agreement.

Enforce Commitments on Technical Barriers to Trade (TBT)

The USMCA established the world’s highest standard TBT provisions covering standards, testing, inspection, accreditation and certification practices. However, Mexico is failing to implement those commitments fully. For example, Mexico does not recognize standards produced by U.S.-domiciled standards development organizations (SDOs) as international standards, even though they meet the criteria outlined in Chapter 11 of the USMCA and the World Trade Organization’s TBT Agreement. This complicates conformity assessment activities, hampering manufacturers’ market access.

Although Chapter 11 prevents USMCA parties from discriminating against conformity assessment bodies whose accreditation bodies are nongovernmental or are not domiciled in a party’s territory, the practice in Mexico is often more complex and burdensome, denying manufacturers in the U.S. the ability to make timely and full use of qualified laboratories to perform testing, inspection and certification of products. Although Mexico passed the Quality Infrastructure Law (QIL) in 2020 that should address key TBT issues, implementing regulations have yet to be published. NAM members can provide specific recommendations to remedy these regulatory deficiencies regarding conformity assessment.

Eliminate Duties on Commercial Samples

Mexico’s regulation governing the importation of samples for the purposes of testing and certification lack clarity for non-NOM standards. This results in the improper application of tariffs on samples being tested and certified to other standards or technical requirements. Chapter 2 of the USMCA provides for the temporary importation of commercial samples. We recommend Mexico update its regulation to clarify that imports of all samples (including for non-NOM testing) should be duty-free.

Respect the Contract

The USMCA is a contract. Contracts can be updated, but the agreed terms should be respected. The NAM appreciates that the USTR is pursuing the above issues in bilateral talks and encourages ongoing engagement to troubleshoot and raise issues of continued noncompliance and, if necessary, pursue formal dispute settlement channels to address violations.

We support resolution of ongoing disputes such as those pertaining to the energy sector in Mexico. The U.S. should use all tools available to press Mexico to reverse its energy and telecommunications policies that hamper the ability of American companies to invest, compete and operate in Mexico. These include the issues raised by the U.S. in consultations under the

USMCA in 2022. Mexico's decision in 2024 to revert PEMEX and CFE back to "public entities" and grant them preferences over private commercial players runs afoul of USMCA commitments. Legislation that removed the independence of the Energy Regulation Commission (CRE) and the National Hydrocarbons Commission (CNH), placing their regulatory responsibilities under the political leadership of the Ministry of Energy (SENER), as well as the dissolution of the Federal Telecommunications Institute, has cast doubts about fair and equal treatment of foreign operators and investors. These systemic issues broadly undermine the benefits of the USMCA not only to companies operating in the affected sector, but also for the users of energy, electricity and telecommunications in their manufacturing operations.

Recalibrate Investor-State Dispute Settlement

U.S. trade agreements are the finest in the world for their ability to promote the rule of law. ISDS is a fundamental and strong tool to ensure that manufacturers placing big bets on investments, especially those that are riskier and that take years to yield returns, are afforded basic legal protections—the same that we provide to any investor in the U.S.

The judicial grounds have shifted substantially in Mexico since the Mexican Congress approved major changes to the country's constitution in late 2024. American investors can no longer count on transparent or fair processes even with arbitration built into their contracts. The NAM supports recalibrating the ISDS provisions as part of the USMCA review to restore a predictable process, grounded in established legal principles, for resolving individual investment disputes between investors and Mexico.

Achieve Policy Goals and Boost Competitiveness

National security tariffs on steel, aluminum, autos and auto parts have been imposed on nearly one-sixth of all U.S. imports from Canada as of July, with additional tariffs on steel and aluminum derivatives, copper and lumber/furniture products likely pushing that number even higher.¹⁷ Likewise, over one-quarter of U.S. imports from Mexico face Section 232 tariffs, with that number likely exceeding 40% if all pending or ongoing investigations announced to-date result in tariffs.

The benefits of the USMCA for manufacturers in the U.S. that rely heavily on industrial inputs and capital goods from Canada and Mexico as part of the well-established and deep North American co-production platform are eroded and undermined substantially by including Canada and Mexico in the Section 232 tariff regime. With measures in place to tighten AD/CVD circumvention, transshipment and customs fraud, Canada and Mexico should be exempt from these tariffs for all USMCA-qualifying goods.

Using Reviews for Planned and Preventative Maintenance

The bold decision to modernize NAFTA to ensure best-in-class provisions where U.S. manufacturing leads, from biotechnology to digital technologies and advanced manufacturing, continues to pay off for American competitiveness in global markets.

¹⁷ Based on data from the U.S. International Trade Commission. U.S. imports from Canada totaled \$44 billion in July 2025, of which \$6.2 billion are subject to Section 232 tariffs on steel, aluminum, autos or auto parts.

Every free trade agreement the U.S. negotiates establishes some form of free trade commission, intended to meet annually to discuss operation of the agreement. Markets never stand still. The benefits designed on paper sometimes do not materialize for manufacturers that, for one reason or another, cannot take advantage of the provisions. Governments continue to make domestic policies, sometimes unintentionally disrupting or undermining commitments to other parties of the agreement. Products and processes are innovated that were not contemplated when the deal was done. For myriad reasons, it makes sense for the parties to meet to discuss how well—or not—the agreement is working to achieve both policy goals and the core commercial goals of the agreement for the manufacturers of each party.

Article 34.7 in the USMCA recognized that regular, planned maintenance is necessary to keep the agreement humming and to implement planned and preventative maintenance. What should be included in this review is also an effort to measure success by the standards of those it is designed to benefit—for us, this means manufacturers in the U.S. and their partners and investments in Mexico and Canada.

Fully leveraging the assets and strengths of the
North American production platform is vital to
weather economic and non-economic vulnerabilities
in today's global economy – and to counter unfair
trading practices by non-market economies.

The first joint review offers an opportunity to do that. **Above all, evaluating operational performance to optimize benefits should be performed with no downtime.** Leaders from Washington, Mexico City and Ottawa should take a hard look at whether the benefits of the agreement are accruing fully to manufacturers large and small in North America rather than third parties to the agreement, how companies across the economy do—or do not yet—utilize USMCA preferences to trade duty free among the parties and identify bottlenecks that hamper closer regional integration. The Competitiveness Committee should be forward-looking about how to maintain energy dominance, lead the AI race, assure access to natural resources and industrial supplies for manufacturing and remain the most innovative and technologically advanced manufacturing economy in the world.

Conclusion

The NAM looks forward to working with the administration, including facilitating engagements with manufacturers in the U.S. to advise on how to make the USMCA—the most pro-manufacturing trade agreement in history—even stronger.

**Summary of Testimony of Andrea Durkin, Vice President for International Policy
National Association of Manufacturers**

**Hearing on Operation of United States-Mexico-Canada Agreement (USMCA)
(Docket USTR-2025-0005)**

NAM is the Voice of the Manufacturing Community

The National Association of Manufacturers is the voice of the manufacturing community and the leading advocate for a policy agenda that supports and empowers the 13 million people who make things in America. As the largest manufacturing association in the U.S., the NAM's membership includes businesses of all sizes, across all industrial sectors, and in all 50 states. Manufacturers collectively contribute \$2.93 trillion to the U.S. economy and accounts for nearly 53% of all private-sector research in the nation.

The NAM has identified concrete, actionable recommendations on areas for improvement to the USMCA to deliver on President Trump's vision of an American manufacturing renaissance.

USMCA is the Most Pro-Manufacturing Trade Agreement in History

The North American co-production model enabled by the USMCA has boosted American manufacturing to unparalleled levels, with value-added manufacturing reaching an all-time high of nearly \$3 trillion in 2024. Some \$2.8 million is traded within North America per minute, trade that supports millions of manufacturing jobs here at home and unleashes America's productive potential to outcompete any rivals globally.

Accelerating manufacturing in the U.S. through a strong USMCA enables American leadership on emerging technologies that will shape our economic future and ensure a strong industrial base for national defense. Securing integrated supply chains through USMCA ensures a stable supply of key inputs like energy and critical minerals needed to make things in America.

Expanding Benefits While Assuring Operational Continuity

The USMCA joint review provides an opportunity to ensure the Agreement remains the highest standard in the world and to make process improvements while assuring continuity for manufacturers who depend on – and thrive under – USMCA.

Procedures at the border can be further streamlined and modernized. The compliance burden, particularly for small- and medium-sized manufacturers that serve as suppliers in critical manufacturing networks, can be reduced. Cross-border investments that support the high degree of related-party trade in North America need to be protected while unfair and-discriminatory advantages conferred to state-owned enterprises addressed so that U.S. manufacturers can fairly compete.

Businesses still face challenges in Mexico and Canada, including from policies that are out of compliance with Agreement. These issues can be addressed in the context of this first review, but the NAM recommends ways to fully utilize the dozens of working groups and committees established by the Agreement to address these issues as part of real-time feedback loops in partnership with the manufacturers who are the daily users of the Agreement.

Staying Agile and Building on the USMCA

The NAM recommends ways to engage Canada and Mexico to unlock the full benefits of this economic partnership by expanding North American cooperation in critical minerals, strengthening regional energy integration, promoting a North American AI platform, and building a stronger defense industrial base together.

Addressing Unfair Trade Practices

Economic security is a regional matter. When it comes to addressing unfair trade practices by non-Parties to the Agreement, more can be done to improve enforcement of anti-dumping and countervailing duty laws, to combat transshipment and misclassification of goods, and to develop a coordinated approach to national security concerns such as investment risks. The NAM offers recommendations in these areas as well.

Given the importance of the USMCA and the deep integration of manufacturing in North America, the NAM appreciates the opportunity to offer testimony regarding the operation of the Agreement.