



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

RE: “Notice of 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,” Federal Register Docket Nos. USTR-2025-0004 and USTR-2025-0005.

Dear Mr. Watson,

Since its entry into force in 2020, the USMCA has been crucial to enabling the success of the North American economic partnership. Taken together, the combined economies of the three countries now account for nearly a third of global GDP. Given the uniquely integrated nature of North American economic and commercial ties, our close proximity, and extensive trade flows, Canada, the U.S., and Mexico share a common interest in a USMCA that strengthens North American economic growth, prosperity, and competitiveness. The concept of North American economic security is today especially relevant given the current highly uncertain global economic and security environment.

The future of the North American economic partnership faces an existential risk as we approach the 2026 USMCA joint review. In order to ensure that the 2026 USMCA review is a successful endeavor that benefits all three countries, the review should be approached with the following strategic priorities.

1. Prioritize the continuity of the Agreement and its existing key provisions. Given the importance of the Agreement to all three parties, it is imperative that the review preserves continuity of the key provisions in the Agreement. A fractious USMCA review would harm businesses in all three countries that rely on the stability and predictability of the trilateral trading relationship that USMCA enables.
2. Implement targeted measures to strengthen the Agreement and enhance North American economic security. Rather than being a disruptive exercise, the review should be viewed as an opportunity to build upon the successes of the Agreement, address shared geopolitical challenges, enhance North American competitiveness, and access the untapped potential of the North American economic relationship.



3. Strengthen North American economic integration by reducing or eliminating recently imposed tariffs within North America. Tariffs within North America disrupt integrated supply chains, raise costs for consumers, and weaken North America's global competitiveness. USMCA already contains side letters that address certain unilateral U.S. trade actions, such as tariffs imposed under Section 232 of the U.S. Trade Expansion Act. Building on the USMCA compliance exemption to the IEEPA tariffs against Canada and Mexico, these commitments should be strengthened and reinforced to ensure preferential tariff treatment of USMCA compliant goods.

The Canadian Chamber of Commerce is pleased to share the attached annex, which expands upon these strategic priorities and outlines concrete recommendations for ensuring that the 2026 USMCA review is productive and strengthens North American economic competitiveness and security. It is the result of comprehensive and cross-sectoral consultations that we have undertaken over the last year.

We cannot take the future of USMCA and the North American trading relationship for granted. As Canada's largest business association, comprised of a network of over 400 chambers of commerce and boards of trade, more than 100 sectoral associations, and representing over 200,000 businesses, we are deeply committed to the success of the USMCA. The preservation and strengthening of our partnership is integral for a thriving and dynamic North American economy, and for enabling the success of our businesses, workers, and communities.

We look forward to continuing to engage with you on this important issue and would be pleased to provide further information.

Sincerely,

Candace Laing
President and CEO
Canadian Chamber of Commerce



Annex

1) Prioritize the continuity of the Agreement and its existing key provisions

Since USMCA came into effect in 2020, the Agreement has helped to facilitate significant growth in trade, investment, and jobs within North America. Notably, there has been a 47% increase in North American trade and an additional four million jobs supported by trade in North America according to the Brookings Institution. In 2023, the total value of trade within North America exceeded \$1.88 trillion. This growth has positioned Mexico and Canada among the top trading partners of the United States.

The Agreement brings substantial benefits by facilitating co-production in key sectors, especially agriculture/agrifood, automotive, steel, aluminum, energy, natural resources, medical goods, and forest product sectors. These partnerships leverage complementarities between the three economies that create efficiencies to help companies produce high quality products at low cost.

For instance, some agricultural products simply cannot be sourced locally in the United States in sufficient quantities because they are not grown at scale in the United States. This is reflected in the case of oat acreages in the United States. Due to American farmers having opted to prioritize other crops, there is no longer a viable system for growing, storing, and transporting U.S. oats from farms to mills at the scale needed for conventional foods. At the same time, Canada is the world's largest producer and exporter of oats, with more than 90% of oats milled for food in the U.S. sourced from Canada. Thousands of U.S. jobs depend on oat imports to make food products. There are similar dynamics related to potash, pulp, fiber, cansheet, and more.

Recommendations:

- *Prioritize renewal in 2026.* Given the immense economic importance of the USMCA, all three parties should approach the 2026 USMCA review by prioritizing the continuation and renewal of the Agreement for a new 16-year term. After thorough engagement with North American businesses, associations, and sub-national Chambers and Boards of trade, we have found that there is broad-based consensus that failing to secure the continuation of the Agreement during the 2026 review would significantly undermine business confidence and hamper trade and investment within North America. Annual reviews, even if the Agreement was to be eventually renewed, would further compound these challenges.
- *Build on the successes of the Agreement while avoiding a fractious renegotiation.* The three parties must try to avoid turning the 2026 USMCA review into a substantial reopening or renegotiation of the Agreement that drastically changes the terms of the North American trading relationship. A fractious renegotiation of the Agreement would risk jeopardizing key provisions of the Agreement that are relied on by businesses in all three countries and are important for enabling North



American economic competitiveness. Where changes to USMCA are made, they should be additive, transparent and done with the objective of updating and modernizing the agreement, while seeking to avoid negatively impacting business or sectors within any of the three economies. Additionally, retaining the trilateral character of the Agreement is also essential. Business benefits substantially from trade rules that apply broadly and consistently across the breadth of the North American economies.

2) Implement targeted measures to strengthen the Agreement and enhance North American economic security

While maintaining the core priority of preserving the continuity of the Agreement's existing provisions, the three parties should also aim to identify and advance opportunities for strengthening the Agreement and North American economic ties. Such measures should be targeted, oriented towards enhancing and building on existing provisions of the Agreement, and, whenever possible, should have buy-in from all three countries. Additionally, the three parties should look to strengthen North American economic security and resilience, which is an increasingly relevant shared priority for all three parties to the Agreement. Following extensive consultation with the private sector in all three countries, we have identified the following seven areas where there are significant opportunities to strengthen the Agreement and North American economic security.

i) Establish a robust competitiveness agenda

A key addition in the USMCA was the establishment of the North American Competitiveness Committee (Chapter 26). The Competitiveness Committee is comprised of government representatives from all three countries and aims to promote further economic integration among the parties and to enhance the competitiveness of North American exports. To date, the Committee has primarily focused on workforce development issues and the establishment of a process for cooperation during emergency situations that affect North American trade flows. The Committee can play a more significant role in promoting a broader competitiveness agenda for North America and fostering greater public-private cooperation. In particular, the Committee should prioritize fostering resilient and competitive North American supply chains that are critical for preserving North American economic security.

Additionally, although a series of meetings of the Competitiveness Committee have taken place, the Committee has not made public a comprehensive workplan for its activities and priorities. The Competitiveness Committee should publicize its work plan and commit to engagement with stakeholders to ensure that the Committee's priorities and activities are aligned with the priorities of the private sector. Publishing a transparent annual work plan would also strengthen accountability and drive implementation across priority sectors.

Areas of focus for the Competitiveness Committee should include the following:



- *Automotive.* USMCA plays an essential role in enabling and shaping the North American automotive industry, which is today amongst the most significant and integrated in the world. The three parties should work together to find ways to enhance the competitiveness of North American automotive supply chains, focusing in particular on the transition towards electrification and the parallel supply chain being created across North America from the mining of critical minerals to battery cell production and vehicle final assembly. As part of this effort, the parties should recognize the importance of regionally sourced and recycled critical materials and components for electric mobility and advanced manufacturing and should establish coordinated measures for recycled content recognition and streamlined cross-border movement of intermediate goods.
- *Aerospace and defence.* Since the Ogdensburg Agreement of 1940, Canada and the United States have developed an integrated approach to continental defence, reinforced with the creation of the North American Aerospace Defense Command (NORAD) in 1957. In addition to this, the two countries have also integrated their defence industrial bases. In light of heightened international security threats, the three countries should explore measures to enhance the competitiveness of aerospace and defence supply chains that underpin the continental defence industrial base.
- *Critical minerals.* Critical minerals play an essential role in nearly all advanced technologies, including batteries for electric vehicles, renewable energy systems, and semiconductors. Moreover, a strong supply chain for critical minerals ensures that the three parties can meet the rapidly growing domestic and international demand, thereby reducing reliance on China. 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. To this end, the Competitiveness Committee provides a useful framework that the three parties should utilize to promote the creation of continental critical mineral supply chains and align efforts to de-risk critical mineral projects. This should include efforts to ensure tariff-free reciprocal market access for continental critical minerals and the associated supply chain, including production inputs and finished goods. Additionally, the three parties should coordinate stock piling critical minerals in strategic reserves, explore long-term offtake agreements, align government procurement of critical minerals, and should explore joint procurement projects.
- *Energy.* USMCA already includes provisions that aim to strengthen energy cooperation and integration between Canada and the U.S. The three countries can collaborate on further improving energy security, reliability, and efficiency. Notably, the three countries should explore energy cooperation to help power data centers, which are critical infrastructure for the regional digital economy.



- *Life sciences.* The pandemic has ushered in a new era of health innovation and renewed prioritization for preparedness, with countries re-evaluating the importance of domestic and regional capabilities as a means of ensuring resiliency with respect to identifying biological threats and responding to future health emergencies. A robust North American life science supply chain – including an integrated innovation, commercialization, regulatory and biomanufacturing value chain – is vital for the development and distribution of pharmaceuticals and medical devices, directly impacting public health and safety. Yet, there are major barriers to advancements in these areas. For instance, public health technology assessments often unduly narrow the scope for where new medicines can be used and recommend aggressive price discounts based on outdated “quality-adjusted life year” or QALY thresholds. The three countries should look towards establishing a policy framework that incentivizes health care innovation, aligns regulations, addresses unreasonable delays and non-transparent reimbursement policies, expedites the cross-border movement of critical goods, adopts strategic risk assessments posed by non-market economies, and reduces or eliminates tariffs on medical goods. The three parties should also explore a potential North American Innovation Resilience Fund to co-finance key health, biomanufacturing, and research initiatives.
- *Advanced manufacturing.* Prioritizing strengthening North American manufacturing resilience, investment, innovation, and technology adoption to secure global leadership is critical to the success of North American manufacturing. Key priorities should include enhancing the harmonization of standards and regulations to reduce cross-border barriers and streamline manufacturing supply chains across North America. To foster technological advancement, the Committee should support initiatives in digital infrastructure, such as 5G/6G, artificial intelligence, digital twinning, and robotics. Workforce development and cross-border credential recognition should also be emphasized as addressing labor shortages in skilled trades and high-tech roles is essential to manufacturing competitiveness. Lastly, there needs to be a robust North American manufacturing supply chain strategy to reduce dependence on high-risk regions, ensuring a secure and resilient production base aligned with Canada's economic and national security goals.
- *Financial Services.* International trade and supply chains rely on agile and competitive financial networks that enable the smooth flow of money and investment within and across North America’s borders. To ensure the region remains a global hub for commerce and trade, as well as a leader in exports of goods and services, the three parties should focus on strengthening the competitiveness of the financial services sector. This includes advancing the adoption of innovative technologies such as digital assets, modernizing payments infrastructure, and developing a predictable regulatory framework for stablecoins. A modern, innovative, competitive and well-regulated financial sector will help North



America remain globally competitive and deepen economic integration across the continent.

ii) Ensure that the Agreement keeps pace with advancements in digital technologies and heightened cyber threats

Greater cooperation on policies related to digital trade and emerging technologies has enormous potential for all three parties to the Agreement. Although USMCA includes comprehensive commitments governing digital trade via its Digital Trade chapter (Chapter 19), advancements in digital technologies and services across all economic sectors, as well as the potential of AI to drive significant productivity gains and economic growth, necessitate that the three parties ensure the Agreement keeps pace with technological advancements. Additionally, given the highly integrated nature of North American supply chains, it is important that the three parties enhance North American cyber security capacity. The three parties should preserve the integrity of the Digital Trade chapter while introducing targeted updates that address AI, cross-border data governance, interoperability, and cybersecurity cooperation.

Recommendations:

- *Establish a North American forum focused on digital trade and emerging technologies.* Establish a mechanism under the Digital Trade chapter for the three parties to exchange information, coordinate new regulatory approaches for digital issues, promote interoperability, identify related technology opportunities for North America, and address issues of shared concern. That the three parties should consider establishing such a forum is noted in Article 19.14 of the Agreement. An important area of focus for this forum should be how the three countries can further enable digital trade and deploy AI to improve the competitiveness and efficiency of North American trade. Notably, this should include enhancing cross-border sharing of health research data and ethical deployment of AI in clinical and pharmaceutical innovation, fostering a regional health data ecosystem that accelerates discovery.
- *Clarify the narrow exceptions to the prohibition on cross-border data flows.* According to Article 19.11(2) of the Agreement, parties to the Agreement can contravene the Agreement’s prohibition “on restrictions of cross-border transfer of information by electronic means” when it is “necessary to achieve a legitimate public policy objective.” The three parties should clarify the narrow instances that might be considered a legitimate public policy objective in order to prevent the misuse of data localization measures.
- *Update and refocus the Committee on Financial Services.* Article 17.19 of USMCA establishes a Committee on Financial Services as a forum for policymakers from each country to address shared challenges in the sector. To date, however, the Committee has met only rarely, limiting its effectiveness. Revitalizing and



refocusing this body would give governments and industry a structured platform to engage on emerging financial sector priorities that require coordinated approaches across North America. Since its creation, there have been significant advancements in financial sector innovation, including developments in artificial intelligence, open banking, stablecoins, and consumer protection, with the United States introducing the GENIUS Act and the Personal Financial Data Rights rule in only the last two years. Communication between the USMCA partners is needed through the Committee to ensure that policy developments keep pace with innovation and that all three countries can compete on equal footing as financial technologies evolve.

- *Address challenges related to financial data localization.* The transfer of data across borders is essential to the functioning of modern payment systems. Cross-border data flows allow financial institutions to verify transactions, ensure compliance with financial regulations, and innovate in areas such as blockchain technology and the use of stablecoins. They are also critical for fraud prevention, enabling companies to detect suspicious activity and respond quickly to emerging threats. Limiting data movement will only result in slower and more costly payments for small businesses. The Financial Services chapter (Chapter 17) should be strengthened to explicitly prohibit unnecessary requirements that may result in de facto or de jure data localization and ensure the free flow of financial data and information across borders.
- *Non-discriminatory cybersecurity certification standards.* A commitment to non-discriminatory cybersecurity certification standards and measures would address the increasingly prevalent trend of governments using cybersecurity measures as a means to discriminate against non-domestic digital/cloud service providers. These types of policies prevent governments and consumers from having access to the best-in-class services available on the market and serve to undermine cybersecurity broadly.
- *Establish harmonized cybersecurity standards and frameworks.* The three parties to the Agreement should work towards adoption of common cybersecurity frameworks like NIST or ISO across sectors. This would provide a consistent set of standards for businesses operating in all three countries, including in relation to mechanisms for information sharing and criteria for incident reporting, thereby reducing the need for companies to have to comply with divergent national regulations.
- *Mutual recognition/reciprocity of cybersecurity certifications.* Provisions allowing cybersecurity certifications issued in one country to be recognized across North America would eliminate duplicative compliance costs for businesses. For example, there are a few key differences between the U.S. Cybersecurity Maturity Model Certification (CMMC) and Canada's developing Canadian Program for



Cyber Security Certification (CP-CSC). The actual security controls implemented differ due to using different versions of the NIST standard. This creates potential challenges for companies operating in both markets, as they may need to navigate slightly different requirements and processes to achieve certification in each country.

- *Promote public-private cooperation mechanisms to improve cybersecurity capacity.* Public and private organizations alike must invest and adapt to ensure they remain protected from evolving cyber threats. A major area of focus currently is how organizations can best share information to ensure they understand and can respond to cyber threats. The three parties could leverage existing provisions, including those in the Digital Trade chapter (Chapter 19), to encourage formal mechanisms for industry and governments to collaborate on cybersecurity policies, best practices, and threat information sharing relevant for cross-border business operations.

iii) Prioritizing North American regulatory alignment

Regulatory inconsistencies hinder the free flow of goods and service across borders, ultimately stifling economic growth and collaboration among North American businesses. All three parties should prioritize reducing unnecessary compliance costs across North America by ensuring better regulatory alignment.

For instance, the food manufacturing industry faces significant regional regulatory divergence and a growing number of non-tariff barriers including the proliferation of divergent and inconsistent labeling requirements, ingredient rules, and packaging and environmental regulations, among other measures.

Efforts to address regulatory misalignment should be broad based and oriented towards enhancing North American competitiveness and economic security. Key areas of focus should include AI, agriculture and agri-food products, advanced manufacturing, cybersecurity, critical minerals, chemicals management, medical devices, life sciences innovations, energy, food products, veterinary and human health products, and government procurement.

These efforts should seek to leverage existing bilateral forums, such as the Canada-U.S. Regulatory Cooperation Council (RCC), and also trilateral forums for technical discussions (e.g., Article 9.18 Technical Working Group for sanitary and phytosanitary measures and for specific sectors (e.g. Annex 12-A Chemical Substances). The relevant authorities should communicate and cooperate to strengthen regulatory alignment to the greatest extent possible.



Recommendations:

- *Actively engage the Committee on Good Regulatory Practices.* The three parties should be more actively engaging the Committee on Good Regulatory Practices, established in the Good Regulatory Practices chapter (Chapter 28). This Committee could serve as a central coordinating body for enhancing dialogue, collaborating on more standard Regulatory Impact Assessments (RIAs), improving transparency, and setting priorities for enhancing collaboration in areas not specifically addressed in USMCA. The Committee should conduct regular reviews of regulatory practices and harmonization efforts, adapting to evolving market conditions and technological advancements. The Committee should also closely engage with industry and other stakeholders from all three countries.
- *Bolster the efforts of the Canada-U.S. Regulatory Cooperation Council.* A reinvigorated Canada-U.S. Regulatory Cooperation Council (RCC) can play a significant role in promoting bilateral trade by reducing technical barriers, aligning standards, and enhancing public health, farmed animal health, and environmental outcomes. It is important that both governments formalize stakeholder engagement by ensuring that the RCC regulator-stakeholder forum occurs every two years as per the 2018 RCC MOU. Regulatory authorities on both sides should also carry out online and in-person domestic engagements to inform the planning and implementation of RCC initiatives. Canada and the U.S. should explore integrating the RCC into the USMCA. Including the RCC within USMCA could help ensure that this important regulatory harmonization mechanism receives the attention and resourcing it deserves on both sides of the border.
- *Enhance alignment on government procurement.* Canada is not a signatory to the USMCA Government Procurement chapter (Chapter 13). As a result, suppliers from the United States and Mexico have to look to other trade agreements to support and enforce equal access to Canadian public sector markets. This omission of Canada within USMCA's Government Procurement chapter has made it difficult for companies to effectively advocate for fair and transparent procurement processes (including the publication of post-award explanations of procurement decisions) in government procurement. While procurement opportunities between the United States and Canada continue to be covered by the World Trade Organization Government Procurement Agreement (GPA); among other challenges, the GPA has a higher monetary threshold than the USMCA. Canada should look to find ways to increase alignment in procurement measures via existing bilateral and trilateral mechanisms, including through potentially signing on to the Government Procurement chapter. Moreover, Canada should replicate its commitments under the WTO Government Procurement Agreement (GPA) within USMCA. Notably, Annex 2 of Canada's Appendix I to the GPA affirms the participation of all provinces and territories, with obligations covering procurement by their respective ministries, agencies, and public institutions. This reflects a



unified, pan-Canadian approach to open, transparent, and rules-based procurement.

- *Ensure alignment on patent term adjustment.* There are significant deficiencies in Canada's patent term adjustment (PTA) system that are at odds with Canada's obligation under the USMCA chapter on Intellectual Property (Chapter 20). These deficiencies make PTA unavailable to patentees in all but the most exceptional circumstances. The time, cost and uncertainty to determine whether any PTA is owed, coupled with the multiple and significant reductions in time through a variety of measures, will deter patentees from seeking a remedy that Canada committed to providing under USMCA. To sustain North America's leadership in advanced industries, the parties should modernize and align IP frameworks. This would help ensure predictable, transparent, and competitive standards for data protection, patent term restoration, and innovation incentives. Notably, strong IP systems are essential for life sciences investment and cross-border clinical research.
- *Canada-Mexico-U.S. Financial Regulatory Forum.* Utilize the Canada-Mexico-U.S. Financial Regulatory Forum to enhance dialogue on financial sector regulatory practices. Canada, Mexico, and the United States announced the Forum's creation in 2018. However, there is little public evidence it has convened since. The Forum should be used to align regulatory approaches and strengthen interoperability across jurisdictions. Greater coherence between financial frameworks would lower compliance costs and enable firms, particularly small and medium-sized enterprises, to expand more easily across North America. When regulatory alignment is lacking, the costs and resources required to enter new markets can be prohibitive, and in some cases, firms may be unable to offer their services at all due to incompatible regulatory standards.
- *Advance sectoral regulatory cooperation commitments.* All three parties should actively engage, including with industry stakeholders, to advance the sectoral regulatory cooperation commitments that would foster a competitive enabling environment for further growth in manufacturing value chains.

iv) Enhancing workforce development and mobility

The North American workforce suffers from long-standing skills gaps and mismatches. Employers often have a hard time identifying employees who have the specific skills needed for particular positions, and employees often face difficulties acquiring the education and training necessary to prepare for existing jobs and the transition to jobs of the future. These challenges are undercutting ongoing efforts to build resilience in North American supply chains. Measures to enhance workforce development and mobility should focus on the needs of sectors of particular importance in existing North American supply chains, including those related to automotives, advanced manufacturing, agriculture and agrifood, and emerging technologies. Canada can exercise leadership in advancing



frameworks that improve labor mobility, particularly for skilled workers, across North America.

Recommendations:

- *Continue efforts to advance workforce development via the Competitiveness Committee.* Since 2021, Canada, the U.S., and Mexico have hosted four trilateral workforce development forums to highlight innovative school-industry partnerships in key sectors, effective local and state-level partnerships and programs, and best practices in focusing and integrating underserved communities in workforce development programs. In addition, workforce complementarity across the three countries could be explored and advanced as a way to strengthen resiliency in key economic sectors
- *Promote collaboration between industry and educational institutions.* The three parties should identify approaches and strategies to encourage companies to collaborate with educational institutions, trade unions, sub-federal governments, and others to better align curricula with evolving labor market needs. These approaches could include pilot programs that include partnerships between government and relevant stakeholder groups to bolster workforce capacity.
- *Expand eligibility for temporary entry.* The three parties should work towards expanding the list of professionals covered by the temporary entry provisions of the Temporary Entry for Business Persons chapter (Chapter 16) of USMCA to include specialized technical manufacturing roles and other roles related to key areas of focus for the Competitiveness Committee identified above (e.g. critical minerals, energy, life sciences, automotive, and aerospace and defense).
- *Improve transparency of the Rapid Response Mechanism (RRM).* Currently employers are unable to see RRM allegations against them, only learning about the claim in the news or when a formal request has been made by a government for Mexico to investigate the issue. This creates unnecessary uncertainty, reputational risk, and operational disruption for businesses that are committed to compliance.

v) Modernize and simplify rules of origin requirements

Rules of Origin (ROOs) are essential for determining which goods qualify for preferential treatment under USMCA. However, in many sectors they remain unnecessarily complex, rigid, and misaligned with the realities of modern supply chains. Overly complex requirements increase compliance costs, particularly for products that rely on global inputs but are transformed within North America. Streamlined certification systems and recognition of substantial transformation would improve accessibility for small and medium-sized enterprises and strengthen regional supply chains. Moreover, certain raw



materials are not readily available within North America and intermediate goods processed in the region may still fail to qualify under strict tariff shift rules.

Notably, the North American auto sector has faced myriad challenges in recent years that have undermined its competitiveness. These include major shifts in the regulatory environment (e.g. changes to incentives for electric vehicles), highly complex rules of origin requirements, and U.S. Section 232 tariffs on autos, auto parts, steel, and aluminum. Further restricting the USMCA's automotive rules of origin, which are by far the most restrictive of any global trade agreement, would add to the burdens on industry.

The USMCA introduced high Regional Value Content (RVC) and Labor Value Content (LVC) thresholds as well as mandatory requirements to purchase steel and aluminum and produce core parts in the region. These changes have taken time and resources for companies to implement. Making these rules even more restrictive puts at risk this growth and the global competitiveness of North America's auto industry. Rules of origin should be clear and implementable and should minimize trade disruptions.

The three parties should avoid increasing the restrictiveness or complexity of these requirements. If the three parties decide to modify or revisit the Rules of Origin, we recommend advancing minimal adjustments to ensure effective implementation and utilization of the Agreement.

Recommendations:

- *Simplify USMCA compliance process.* Provide enhanced support to businesses to secure USMCA certification and in turn reduce customs compliance errors and unnecessary shipment delays and costs. There are opportunities to apply automation and technological tools can be useful in ensuring the USMCA, Partner Government Agencies compliance processes, and single window systems are working in lockstep to cut administrative burden while still maintaining compliance and border security.
- *Ensure businesses are able to adapt to changes.* Provide sufficient time and flexibility for businesses to adapt to changes in ROO, allowing them to collect necessary data and update systems to comply with new rules. This should include informed compliance periods to support a smooth transition.
- *Ensure government agencies are adequately resourced.* Evaluate and allocate the necessary resources for U.S. Customs and Border Protection and other relevant agencies to efficiently process increased data volumes and meet new technical requirements. This includes ensuring adequate staffing and technological capabilities to maintain speed and accuracy in data handling.



- *Framework for North American critical minerals content.* Develop a trilateral system that provides assurance, recognition, and enforcement related to rules of origins for North American mined and/or processed critical minerals. The three parties should pursue a shared certification and traceability framework for “North American critical-mineral content” to enable manufacturers to verify origin, recycled content, and compliance with procurement and incentive programs. Federal procurement policies across the three countries should likewise provide clear preference for goods manufactured with verified USMCA-origin materials, reinforcing the regional ecosystem from raw materials to finished technologies.
- *Recognize the uniquely continental nature of oil and gas trade within North America.* Verification of the origin of oil and gas imports within North America presents challenges for importers, given that production is often commingled through complex gathering systems and traded multiple times through fungible market hubs before reaching the importer of record. As North America has become a significant exporter, the border authorities of each of the three parties should reflect two key realities in the application of rules of origin: 1) Western Canada’s oil-producing regions are landlocked and therefore not exposed to non-North American crude imports; 2) Natural gas should be deemed North American in origin by default, as any non-North American gas imports would require regasification, which is a process that allows such gas to meet rules of origin either as North American production or through tariff shift provisions.

vi) Modernize processes that presently hinder customs administration and trade facilitation

The Customs Administration and Trade Facilitation chapter (Chapter 7) of the Agreement offers a clear and comprehensive framework for safe and efficient cross-border trade. Over the past six years, however, the implementation of several provisions within Chapter 7 has encountered challenges that merit attention and resolution.

Recommendations:

- *Allow payment of any additional tariffs via simplified procedures when applicable.* While the Agreement guarantees expedited and simplified customs procedures for express shipments valued under \$2,500, the parties can still impose additional tariffs or quotas, nullifying the benefits of this procedure. To preserve the purpose of this provision while still ensuring governments receive appropriate payments, the three parties should allow for payment of additional tariffs or quotas within the expedited procedures for express shipments. Specifically, we suggest adding a new clause, 7.8.1(g): “ensure that, if customs duties, taxes, or any other applicable charges are imposed at the time of importation, these may be declared during the expedited and specific customs procedures for express shipments.”
- *Prioritize paperless trade.* The technology for paperless trade should be a general



standard, with paper as the exception. The Parties should mutually recognize electronic documents, invoices, cargo manifests, air waybills, bills of lading, and signatures; promote prearrival analysis and expedited release through preclearance, preselection, and prerelease procedures; and further support pilot programs for public-private cooperation in projects using disruptive technologies to enhance customs functions, such as blockchain and AI in risk management.

- *Establish a trilateral mechanism for reviewing performance metrics related to the commitments outlined in Chapter 7.* To increase transparency, we propose including a provision in Article 7.2 that “Each Party shall endeavor to publish statistics and performance metrics.” These can include average clearance time by mode, percentage of electronic declarations, rate of recognized AEOs, and resolution times for claims, appeals, and advance rulings. These performance indicators should be published in easily comparable formats by each party to foster continuous improvement. We propose that the three parties establish a trilateral mechanism for annual review of indicators, results, best practices, and recommendations to promote better performance.
- *Expand duty drawback and duty deferral programs under USMCA.* Duty drawback is an increasingly crucial tool for mitigating the financial impact of trade frictions, allowing businesses to reclaim duties paid on imported goods that are later exported, destroyed or used in manufacturing exports. Article 2.5 of the USMCA restricts the amount of refund of drawbacks or the number of duties deferred under the duty deferral programs to the lesser of the duties paid either at the time of admission into the first USMCA country or upon exportation and importation into the second USMCA country. The “lesser of the two” rule should be removed because it disincentivizes both the integration of supply chains within North America and trade within North America relative to other countries.

vii) North American coordination on trade and security risks posed by non-market economies

At the fourth annual meeting of the USMCA Free Trade Commission (FTC) on May 22, 2024, the three parties agreed to “jointly expand their collaboration on issues related to non-market policies and practices of other countries.” Canada, the U.S., and Mexico should strengthen cooperation and coordination on policy responses to unfair trade practices by the Peoples Republic of China, as well as other non-market economies. The three parties should work together to advance a “Fortress North America” approach to collective economic and national security risks.

Recommendations:

- *Coordination on responses to unfair trade practices.* The three countries should pursue alignment on measures to address the risks posed by unfair trade practices



by China, such as those related to the “Made in China 2025” policy that impacts strategic high-tech sectors such as electric vehicles and medical technology. The three countries should seek to coordinate trade remedy and anti-circumvention mechanisms across the three parties. This includes trilateral cooperation on real-time customs data sharing and expedited investigations into transshipment through third countries. Notably, any measures or policy responses implemented by three countries in this area should aim to be consistent and aligned with WTO rules and obligations.

- *Coordination on cybersecurity risks related to highly sensitive and strategic sectors, including connected vehicles and medical technology.* The three parties should seek to align measures to address national security risks associated with connected vehicles and medical technologies from countries of concern such as China and Russia.
- *Prioritize addressing loopholes and policy inconsistencies that create vulnerabilities for economic and national security.* The three parties should work together to identify and address areas of the Agreement that have proven insufficient, outdated, or open to misuse. Closing loopholes that allow circumvention of trade rules is essential to preserving a level playing field and maintaining confidence in the Agreement. The review should place greater emphasis on improving transparency and enforcement, particularly in sectors identified as critical to economic and national security. When preferential access is granted without adequate traceability or enforcement mechanisms, it can encourage practices that conceal the true origin of goods. The import of falsely declared aluminum wheels is an example of this type of behaviour that undermines fair competition and weakens confidence in the integrity of the Agreement’s preferential regime.
- *Harmonize reporting standards for imports of steel and steel-containing products.* Inconsistent reporting requirements across Canada, the United States, and Mexico have created systemic vulnerabilities in the North American steel market. The three countries should seek to harmonize reporting standards, including mandatory country of melt-and-pour disclosure, product classification, and real-time customs data integration. Misalignment in standards – particularly by Mexico – are increasingly exploited by foreign producers, particularly from non-market economies like China, that reroute dumped or subsidized steel through the weakest regulatory entry point.
- *Increased collaboration and information sharing related to foreign investment screening.* In December 2023, the U.S. and Mexico signed a memorandum of intent to affirm the importance of foreign investment screening in protecting national security and announced their intention to create a bilateral working group that would exchange information about investment screening. Canada should join this group and share the steps it has taken to reform the Investment Canada Act to



enhance national security provisions related to foreign direct investment by state-owned enterprises in sensitive sectors (e.g. critical minerals, medical technology).

3) Strengthen North American economic integration by reducing or eliminating recently imposed tariffs within North America

The extensive new tariffs imposed on goods from Canada and Mexico are not compliant with the USMCA. Indeed, the core commitment of the Agreement is to maintain tariff-free trade within North America, with limited exceptions relating to trade remedies and a few other areas. Many of these new tariffs have been applied under Section 232 of the Trade Expansion Act of 1962, under which tariffs are imposed on imports that “threaten to impair the national security.” However, imports of Canadian and Mexican steel, aluminum, autos, copper, and lumber and derivatives do not threaten U.S. national security. This is especially clear when considering that the U.S. recognizes certain Canadian goods as an integral to the U.S. defence industrial base under the Defence Production Act in 1993.

The recent tariffs impose a heavy burden on U.S. manufacturing by disrupting longstanding and highly integrated supply chains. Additionally, tariffs on commodities that are not available domestically in sufficient quantities hinder U.S. manufacturers’ abilities to meet consumer demand. The net effect of this is increased costs for consumers and weakened North American global competitiveness. Rather than imposing tariffs against each other, the three countries should aim to adopt a ‘Fortress North America’ approach to advancing our collective economic security.

Recommendations:

- *Unwind recent Section 232 tariffs against Canada and Mexico.* The U.S. should unwind the recent Section 232 tariffs measures imposed on goods from Canada and Mexico. Doing so would mark a positive step forward in mitigating rising U.S. energy, transportation, construction, and other costs.
- *Broaden preferential tariff treatment for USMCA compliant goods.* On March 7, 2025, the U.S. imposed an exemption under the International Emergency Economic Powers Act (IEEPA) tariffs for goods imported from Canada and Mexico that qualify for duty-free preferential treatment under the USMCA. This model should be expanded to cover other forms of unilateral or retaliatory tariffs (e.g. Section 232 national security tariffs, Section 301 unfair trade measures, reciprocal responses, etc.) so that goods that are compliant with USMCA’s rules of origin requirements are guaranteed either tariff-free treatment or significantly reduced tariff rates. Extending this exemption would strengthen supply chain certainty, reduce costly disputes, and reinforce North America as a genuine free trade zone built to withstand both economic and geopolitical shocks. Notably, USMCA already includes side letters exempting Canadian and Mexican goods from certain unilateral U.S. trade actions, such as tariffs imposed under Section 232 national security provisions.



- *Introduce a USMCA rapid response mechanism for tariff escalation.* The sudden introduction of new tariffs or quotas on supply chains have a highly disruptive effect on trade relations that erode business confidence and can lead to increased costs for consumers. To address this risk, the three parties should establish a USMCA Rapid Response Mechanism for Tariff Escalation that would require automatic, minister-level consultations within seven days of the announcement of any new duty, quota, or other trade-restrictive measure among the three parties.