Business Roundtable

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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: Request for Comments on the Operation of the Agreement between the United States of America, the United Mexican States, and Canada (USMCA or the Agreement), Docket No. USTR-2025-0004

Dear Mr. Watson:

Business Roundtable (the Roundtable or BRT) submits these comments in response to the request from the Office of the United States Trade Representative (USTR) in the above-referenced Federal Register Notice (Notice) for public comments concerning the operation of USMCA. The Roundtable appreciates the opportunity to comment on the operation of USMCA as USTR develops positions and recommendations for the Joint Review process required under Article 34.7 of USMCA.

Business Roundtable is an association of more than 200 chief executive officers (CEOs) of America's leading companies, representing every sector of the U.S. economy. BRT CEOs lead U.S.-based companies that support one in four American jobs and almost a quarter of U.S. gross domestic product (GDP).

The Roundtable believes that President Trump secured important new commitments in USMCA that protect American jobs, strengthen domestic manufacturing and grow the U.S. economy. These provisions, which modernized the North American Free Trade Agreement (NAFTA) and advanced U.S. economic interests, include, *inter alia*—

- *Intellectual Property* commitments that provide new authorities for officials to combat piracy and counterfeits and establish broad protection for trade secret theft, including against state-owned enterprises;

- *Digital Trade* commitments that prohibit discrimination against digital products, protect proprietary source code and algorithms, and ensure data flows;

- *Financial Services* commitments that promote market access, most-favored nation and national treatment of firms, and limitations on local data storage requirements;

- *Technical Barriers to Trade and Sectoral* commitments that promote regulatory harmonization and preclude unjustified advance market access for U.S. manufacturers;

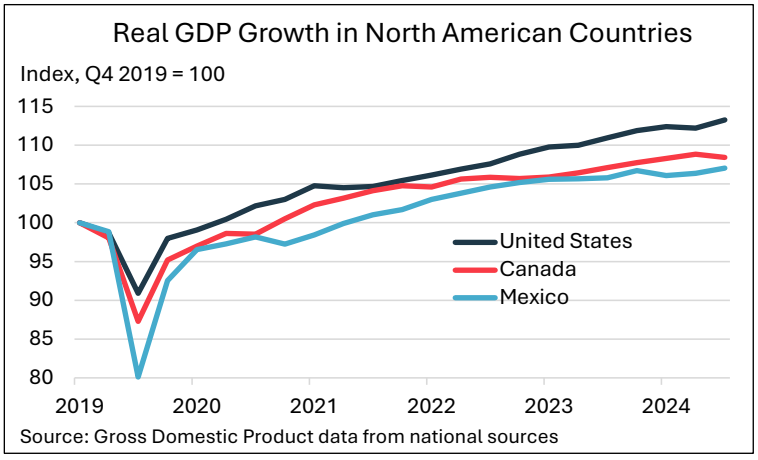
- *Telecommunication Services* commitments that ensure fair access, promote value-added services and ensure non-discriminatory regulation of major suppliers of public telecommunications networks;

- *Agricultural Market Access* commitments that reduce Canadian market access limits on U.S. dairy and ensure that Canada's and Mexico's sanitary and phytosanitary measures are based on sound science;

- *Auto Rules of Origin* that prevent non-parties from enjoying USMCA market access benefits and promote increased investment in North America; and

- *Energy* commitments that ensure equitable, non-discriminatory treatment of products and recognize the interconnected nature of North American energy resources and related supply chains.

These commitments, among others, are delivering significant benefits for the U.S. economy. Trade with Canada and Mexico supports 13 million American jobs today. Since USMCA entered into force, Canada and Mexico have invested $775 billion in the United States and there has been a 50 percent increase in two-way trade, totaling $1.9 trillion in goods and services. A quarter of total U.S. trade comes from Canada and Mexico, larger than any other trading bloc.[1] Since USMCA implementation, real GDP in North America has grown. All three countries have experienced steady economic growth, but the United States has grown faster than Canada and Mexico. Stronger economies drive more consumption and cross-border activity, thereby strengthening U.S. and North American economic competitiveness.



[1] Sources include U.S. Census Bureau and U.S. Bureau of Economic Analysis Data; see also Judy Marks, Harnessing USMCA to drive growth in strategic industries: Building an integrated manufacturing platform, Brookings Institution (March 5, 2025), available at https://www.brookings.edu/articles/harnessing-usmca-to-drive-growth-in-strategic-industries-building-an-integrated-manufacturing-platform/.

USMCA is also critical for America's rural and farm economy. In 2024, the United States shipped $30.3 billion worth of agricultural products to Mexico, our largest agricultural export market, and $28.4 billion in goods to Canada, our second largest agricultural export destination.[2] Notably, China was third at $24.7 billion.[3] Ensuring stable agricultural trade with our USMCA partners has become all the more important given China's recent refusal to purchase various U.S. agricultural products.

The continuity and strengthening of these benefits will be critical to the vitality of the U.S. business community. Therefore, in accordance with Article 34.7 of USMCA and in furtherance of the Roundtable's views herein, the United States should confirm its intention to extend USMCA during the Joint Review scheduled to take place on July 1, 2026. The Roundtable encourages USTR to utilize the Joint Review to improve the operation of USMCA, strengthen our trading partners' compliance with the Agreement and enhance U.S. and North American competitiveness in close consultation with stakeholders.

[2] USDA Economic Research Service, USMCA, Canada, & Mexico - Mexico: Trade & FDI (July 22, 2025), available at https://www.ers.usda.gov/topics/international-markets-us-trade/countries-regions/usmca-canada-mexico/mexico-trade-fdi.
[3] *Id.*

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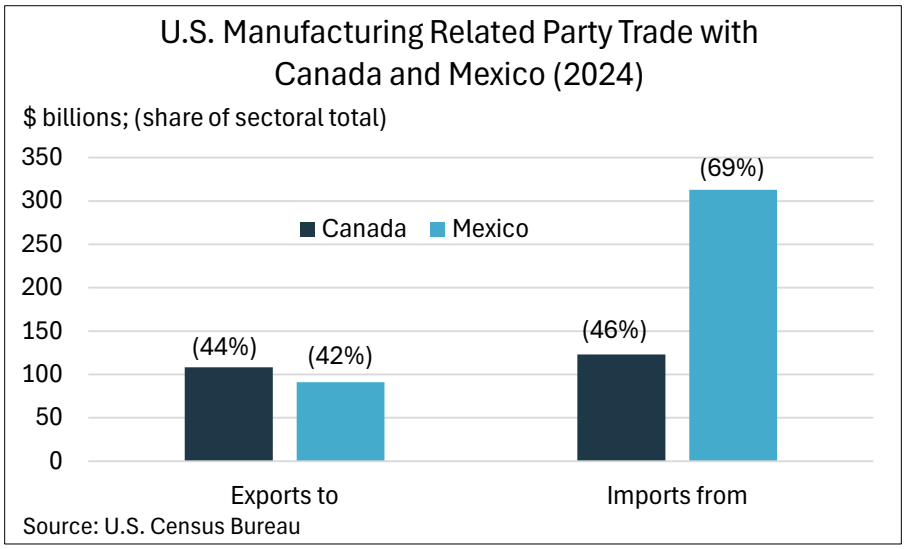
I. Comments on the operation or implementation of USMCA

1. North American Integration Strengthens U.S. Economic Advantage

USMCA is the bedrock for North America's economic success, and Business Roundtable urges the Administration to maintain and strengthen the trilateral relationship. Maintaining USMCA as a trilateral agreement is essential to preserving the United States' strategic and economic advantage in North America as key sectors of the U.S. economy depend on deeply integrated supply chains that span the continent—particularly in critical sectors like autos, energy and agriculture.

More than thirty years of regional free trade have enabled U.S. firms to develop continent-wide production networks. Harmonized rules, enforceable commitments and the elimination of tariffs and other barriers have lowered costs, expanded access to competitively priced inputs and allowed companies to organize production across all three countries according to comparative advantage.



In addition to the large volume and growth in trade and investment flows between USMCA partners, a substantial amount of cross-border trade within USMCA is of intermediate inputs moving within well-integrated supply networks. U.S. Census Bureau data on related-party trade shows how tightly U.S., Canadian and Mexican manufacturing are linked through shared production networks.[4] In 2024, over half of U.S. manufacturing trade with Canada and Mexico occurred within related parties (i.e., between companies and their own cross-border affiliates).[5] Specifically, 44 percent of U.S. manufactured exports to Canada and 42 percent to Mexico were intra-firm, while 46 percent of imports from Canada and 69 percent of imports from Mexico were from related companies. These flows reflect regional co-production—companies designing, sourcing and assembling goods throughout the USMCA framework—rather than a simple transactional relationship with a foreign supplier. This regionalization keeps production close to home, under shared USMCA

[4] U.S. Census Bureau, *U.S. Goods Trade: Imports and Exports by Related Parties, 2024* (July 3, 2025).
[5] Calculated using the sum of imports and exports with Canada and Mexico. Some manufacturing sectors, such as transportation equipment (71 percent), surgical, medical, and dental supplies (67 percent), electrical equipment (61 percent), and computers and electronics (60 percent), have a much higher share than average.

labor and environmental standards, and strengthens supply-chain resilience by reducing dependence on other regions.

Similarly, Organisation for Economic Co-operation and Development (OECD) data helps highlight how North American trade keeps U.S. value within the region. According to OECD Trade in Value Added indicators, roughly 15 percent of the value in U.S. manufacturing imports from Canada and Mexico reflects U.S. work—materials, parts, design or services—coming back home.[6] By contrast, imports from China contain less than two percent U.S. value. Put simply, every dollar of manufacturing imports from North America supports more domestic economic activity and U.S. jobs than trade with more distant partners.

A vivid example of the dynamic trilateral relationship of the manufacturing process can be seen in the auto sector, where even relatively simple components can cross North American borders multiple times before final assembly. One analysis followed a small electrical part used in a car seat as it moved between the United States, Mexico and Canada.[7] The component was designed and procured in the United States, inserted into a circuit board in Mexico, returned to the United States for compliance processing, shipped back to Mexico for assembly into a seat actuator, and finally sent to plants in Texas and Ontario for installation in finished vehicles. By the time the seat reached a final assembly line, the same part had crossed North American borders four times, illustrating how deeply interwoven production has become across all three USMCA partners.

These linkages illustrate why maintaining a common trilateral framework—with harmonized rules of origin, customs procedures and digital trade disciplines—is far more efficient than what could be achieved with separate bilateral arrangements that would re-fragment these production networks.

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[6] OECD, *Trade in Value Added (TiVA) Indicators, 2025 edition*, (September 2025).
[7] Thomas Black, Jeremy Scott Diamond & Dave Merrill, *One Tiny Widget's Dizzying Journey Through the U.S., Mexico and Canada*, Bloomberg (Feb. 2, 2017).

2. Restore Preferential Treatment for USMCA Compliant Trade

Tariffs on USMCA compliant goods are counterproductive to U.S. economic and national security interests, and BRT urges restoration of preferential trade between USMCA Parties. The duty-free structure of USMCA—including continued exemption of the merchandise processing fee[8]—should remain a cornerstone of North American trade. All goods complying with USMCA rules should be exempt from tariffs that USMCA does not explicitly authorize, including tariffs imposed pursuant to Section 232 of the Trade Expansion Act of 1962 (Section 232) and the International Emergency Economic Powers Act (IEEPA).[9]

Since USMCA entered into force, intra-regional trade in goods and services has grown by 37 percent, driven largely by growth in industrial sectors.[10] Since March 2025, when the United States imposed tariffs on Canada and Mexico pursuant to Section 232 and IEEPA, there has been an aggregate 7.3 percent decrease in two-way trade, with the adverse effects falling greater on U.S. exporters (8.9 percent decrease in U.S. exports and 6.1 percent decrease in imports). Restoring full access to USMCA preferential trade will increase trade within North America, strengthen supply chain reliability with trusted partners and advance U.S. economic security interests.[11]

Restoring preferential treatment for all USMCA compliant goods will increase sourcing and trade with two countries that have agreed to the highest standard trade rules and remain committed to improving these rules through joint reviews and mechanisms such as the USMCA Competitiveness Committee and technical committees such as the Committee on Trade in Goods,[12] the Committee on Trade Facilitation[13] and the Committee on Technical Barriers to Trade.[14] These USMCA institutions provide an advantage for the United States to ensure any new concerns are appropriately prioritized. Accordingly, the existing rules and opportunities for refinement ensure that the Agreement is always underpinned by our domestic interests.

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[8] Technical corrections to the USMCA Implementation Act ensured that the merchandise processing fee was not applied to USMCA compliant goods. The exemption from the fee should continue.

[9] For example, USMCA does explicitly provide that the Parties retain the right to utilize traditional trade remedy measures such an antidumping, countervailing duty or safeguard measures.

[10] Diego Marroquín Bitar, Christopher Hernandez-Roy and Earl Anthony Wayne, USMCA Review 2026 Pathways, Risks, and Strategic Considerations for North America's Economic Future, Center for Strategic and International Studies (August 18, 2025), available at https://www.csis.org/analysis/usmca-review-2026.

[11] The USTR Fact Sheet released upon USMCA's successful negotiation highlighted that one of the ways the USMCA Market Access chapter would "more effectively support trade in manufactured goods between the United States, Mexico, and Canada" was "[m]aintain[ing] duty-free treatment for originating goods." USTR, UNITED STATES–MEXICO–CANADA TRADE FACT SHEET Rebalancing Trade to Support Manufacturing, available at https://ustr.gov/trade-agreements/free-trade-agreements/united-states-mexico-canada-agreement/fact-sheets/rebalancing.

[12] Article 2.17.

[13] Article 7.24.

[14] Article 11.11.

In addition to agreeing to strict rules of origin in USMCA, Canada and Mexico continue to demonstrate their seriousness about aligning their measures against non-market policies and practices of other countries with the United States—including on products subject to Section 232 actions. For example, Mexico[15] and Canada[16] have both increased tariffs on iron and steel products. Canada has imposed 100 percent tariffs on imports of electric vehicles (EVs), aligning with the U.S. Section 301 tariffs on such vehicles.[17] Mexico has halted tariff breaks on EVs and proposed 10 to 50 percent tariffs on a range of products from non-free trade agreement countries including steel, aluminum, autos, plastics and furniture, among others.[18]

Through such coordinated efforts, the strength of the American industrial base can be augmented with that of our USMCA partners. In exchange for such coordination, the Parties should reaffirm their commitments to preferential trade among each other.

3. Maintain the Strong USMCA Rules of Origin

The rules of origin (ROO) for USMCA, as set forth in Chapter 4 of the Agreement, are the basis for the long-standing—and successful—North American supply chains, and for investments made by American companies in North America. In conjunction with efforts to strengthen economic security commitments among the Parties, they are adequate to ensure the benefits of USMCA's trade liberalization accrue to the USMCA Parties—and to avoid free-riding. Revising these rules will significantly disrupt supply chains that were set up to comply with the robust USMCA ROO in 2020. Furthermore, revisions will inject economic uncertainty into long-term capital investments of U.S. companies, which require predictability and stability.

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[15] Decree Modifying the Fee of the General Import and Export Tax Law, April 22, 2024, available in Spanish at https://www.dof.gob.mx/nota_detalle.php?codigo=5724207&fecha=22/04/2024#gsc.tab=0.

[16] Government of Canada, Department of Finance, Backgrounder on Final List of Steel and Aluminum Products that will be subject to a 25 per cent surtax, available at https://www.canada.ca/en/department-finance/news/2024/10/final-list-of-steel-and-aluminum-products-from-china-that-will-be-subject-to-a-25-per-cent-surtax.html.

[17] Government of Canada, Department of Finance, Backgrounder on Surtax on Chinese-made Electric Vehicle, available at https://www.canada.ca/en/department-finance/news/2024/08/surtax-on-chinese-made-electric-vehicles.html.

[18] Secretary of Economy, Marcelo Ebrard Casaubon Remarks of September 10, 2025 (translation: "They already have tariffs. The 20% tariff. Now, what are we going to do? We will take it higher, which the World Trade Organization allows us, to reach 50%.)

While the Roundtable advises USTR to prioritize the problem of transshipment during the Joint Review, it discourages adoption of a single broad approach to the problem. The methods by which unscrupulous parties may seek to engage in transshipment will vary depending upon the product and sector at issue. Instead, the Roundtable recommends that USTR and other federal agencies work closely with the other USMCA Parties to establish joint standards for customs enforcement to help prevent transshipment and misclassification of goods and with stakeholders to adopt specific sectoral and product-based approaches to address the problem. In both instances, BRT advises public consultation to ensure that efforts to address transshipment reflect the nuances of particular industries, but avoid unnecessary compliance costs to secure, document and retain data that may be unnecessary or inapplicable for many goods.

4. Maintain Eligibility of USMCA Qualifying Goods from Mexico for U.S. Procurement

Business Roundtable strongly encourages USTR to maintain government procurement eligibility for USMCA qualifying goods from Mexico.[19] U.S. commercial and security interests are advanced by ensuring trusted suppliers in the North American supply chain are available to address the United States' procurement needs.

5. Preserve Strong Digital Trade Provisions

USMCA's digital trade chapter is the gold standard for digital trade agreements with cutting-edge provisions to ensure cross-border data flows and non-discrimination and to combat data localization. These provisions are critical to a digitally integrated North America and continued dominance of the U.S. tech stack. The Roundtable strongly encourages USTR to further strengthen USMCA's digital trade chapter by pushing for full implementation of its provisions.

One area where the Parties should seek to engage further is with respect to operationalizing the commitment on cybersecurity, set forth in USMCA Article 19.15. This provision contains a "soft" commitment for each Party to endeavor to adopt risk-based approaches to cybersecurity risks. It is precisely because this commitment is in the nature of an "endeavor" that the USMCA Parties must be vigilant in ensuring that our USMCA partners do adopt a "risk-based" rather than "hazard-based" approach to regulating cybersecurity. The importance of applying risk-based approaches to regulation is particularly salient with respect to artificial intelligence. Although artificial intelligence presents immense economic benefits for the United States, given its leadership in the area, there are a number of misconceptions about the potential dangers. A failure by the USMCA Parties to adopt risk-based approaches could result in unjustified barriers in the artificial intelligence market. Accordingly, the Roundtable encourages USTR to work closely with Canada and Mexico to operationalize this commitment.

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[19] The government procurement obligations in USMCA extend only between the United States and Mexico. Canada and the United States obtain procurement access vis a vis each other's markets in accordance with the WTO Agreement on Government Procurement.

6. Enhance Implementation of Sectoral Annexes Through Use of Cooperation Mechanisms

USMCA's sectoral annexes contain mechanisms to promote regulatory alignment among the USMCA Parties, but they are under-utilized and could be improved. For example, Articles 12.A.4 and 12.A.5 of the Chemical Substances Annex reflect a number of approaches to promote alignment, by aligning risk assessment and mitigation methodologies and through data exchanges between regulatory authorities. To date, there is no indication—at least publicly—that these provisions have been utilized by the Parties. The Roundtable encourages the Parties to make use of these cooperation mechanisms. In doing so, the Parties should engage stakeholders by soliciting public input on priorities and methods to increase trade or achieve the Parties' regulatory objectives in less burdensome ways.

a. Improve Functioning of Mexico's Regulatory Authorities

As part of this engagement, UTSR should ensure that such cooperation includes engagement with COFEPRIS (Comisión Federal para la Protección contra Riesgos Sanitarios / Federal Commission for Protection against Sanitary Risk). COFEPRIS is Mexico's regulator for sanitary risks arising from drugs, substances, food, tobacco and other products. Regrettably, COFEPRIS lacks a consistent approach to regulation, resulting in delays in the consideration of applications and even re-registration for many products, thus denying U.S. producers timely market access. These delays are inconsistent with Annex 12-F of USMCA and amount to an unfair trade practice that prevents U.S. manufacturers from selling in the Mexican market. In particular, COFEPRIS should have an expedited approval process for U.S. products that have already received U.S. regulatory approval, such as drugs that have received U.S. Food and Drug Administration (FDA) approval. Critically, any expedited marketing authorization pathway must reflect Mexico's national treatment obligations under USMCA – which appears to be at risk.

b. New Regulatory Efforts Should Treat U.S.-Based Companies Equally

Mexico, like all countries, is free to develop regulatory procedures for public health, but they must treat U.S.-based companies on an equal footing. Regrettably, some of the proposals under consideration by Mexico fail to do so. For example, under proposed amendments to Mexico's marketing authorization procedures, only companies holding a sanitary license for a domestic manufacturing facility would be eligible for expedited review. A U.S. manufacturing facility is thus at an inherent disadvantage since its regulatory approval will be on a longer timeline. By limiting this streamlined pathway exclusively to manufacturers that meet these criteria, the proposal introduces a discriminatory measure that undermines the principle of national treatment enshrined in USMCA; specifically, Annex 12-F.5, which governs the application of regulatory controls. The Roundtable encourages USTR to ensure that any marketing authorizations under consideration by Mexico be crafted to provide equitable and non-discriminatory treatment in line with national treatment obligations.

II. Comments on compliance with USMCA

1. Mexico Must Remove Its Digital Trade Barriers

As set forth below, Mexico has adopted a number of barriers that are unreasonably restricting U.S. digital trade interests.

a. Mexico Must Remove Cloud Barriers Impacting Financial Services Firms

Mexico continues to enforce a 2021 regulation which requires electronic payment fund institutions to maintain a business continuity plan in the case of disaster recovery that relies on either: (1) a multi-cloud approach with at least two cloud service providers from two different jurisdictions or (2) an on-premises data center in country that does not depend on the primary (foreign) cloud provider. Mexico's measure has no prudential justification and is inconsistent with Article 17.18 of the USMCA Financial Services Chapter, which limits requirements to use or locate local computing facilities as a condition of market access. Moreover, the National Banking and Securities Commission's approval process to use cloud services is resource intensive and discriminatory towards foreign cloud providers, as existing local on-premises data centers need to complete a shorter notification process. This *de facto* data localization requirement is in addition to an already complex and time-consuming process that electronic payment fund institutions face in order to gain regulatory approval to use offshore cloud infrastructure, whereas in-country infrastructure enjoys a more expedited process. BRT appreciates that USTR has raised concerns about these requirements with the Mexican government and urges USTR to ensure this issue is resolved through the Joint Review.

b. Mexico Should Eliminate the "Kill-switch" and Article 30-B in the 2026 Economic Package

A proposal in Mexico's Economic Package would require foreign digital service providers to grant the Tax Administration Service (SAT) permanent, real-time online access to their systems and records related to operations in Mexico. Non-compliance could result in the temporary blocking of digital services– widely referred to as the "kill-switch." Additionally, SAT would coordinate with the newly created National Agency for Digital Transformation and Telecommunications to manage the technological infrastructure and data analysis associated with this obligation. Mexican authorities have stated that this proposal is intended to target Chinese e-commerce companies, but the language is overly broad and captures all providers. U.S. companies should enjoy the same status as Mexican domestic companies and should not be subject to these requirements. The Roundtable urges USTR to work with Mexico to ensure that the USMCA Parties are clearly not subject to these requirements.

c. Mexico Must Comply with Commitments on Electronic Payment Services

Article 17.3 and Annex 17-A of USMCA require Mexico to provide national treatment for electronic payment services for payment card transactions. Instead, Mexico provides

preferential treatment to its own firms by requiring foreign firms to abide by standards its domestic interests control—and which limit the services that U.S. providers may offer. Specifically, two entities owned by Mexican banks, Prosa and E-Global, control the rules of the domestic processing market. They do so by developing and promulgating a set of rules, known as Red MX. Despite the regulatory provision that alternative networks could exist, Mexican authorities refuse to recognize any other standard than those contained in Red MX; and regulators have been unable to enforce regulations to allow competition, benefiting incumbent clearinghouses. New clearinghouses from the United States, as a condition of operating in Mexico's market, must be certified by Prosa and E-Global to process domestic transactions, under the proviso that they will comply exclusively with Red MX standards and rules. As a result, potential U.S. entrants to the market cannot deploy their whole suite of services and compete on a level-playing field. Through the Joint Review, USTR should require Mexico to abide by its USMCA obligations and afford national treatment to U.S. providers of electronic payment services by enacting the necessary changes to the regulation in order to ensure a competitive level-playing field.

2. The Parties Should Improve Compliance with Intellectual Property (IP) Obligations

USTR's Special 301 Report designates Canada as a Watch List Country and Mexico as a Priority Watch List Country. The designation of both countries as such is appropriate because insufficient IP enforcement in both has led to significant counterfeiting, piracy and theft of U.S. IP holders' rights.

a. Mexico

In Mexico, counterfeit goods are a significant problem, further challenged by the National Customs Agency's (ANAM) lack of authority to seize or destroy infringing products without first notifying the Mexican Institute of Industrial Property (IMPI) or Attorney General's Office (FGR) that the goods are infringing. There are also judicial and bureaucratic delays, frustrating recourse for U.S. rights holders.

Mexico is also lagging in specific implementation of its USMCA IP commitments. In order to fulfill a number of the USMCA IP Chapter's obligations, Mexico revised its IP laws by enacting changes to its Copyright Law (Ley Federal del Derecho de Autor) and its Criminal Code (Código Penal Federal), and through passage of a new Industrial Property Act (Ley Federal de Protección a la Propiedad Industrial). Although Mexico has passed these laws, it has not yet issued the relevant implementing regulations in key areas, like patent linkage notice, and should do so promptly. Recent court precedents have compounded these challenges, undermining patent usage by preventing publication in the linkage gazette and allowing injunctions against products that infringe industrial property rights to be lifted without sufficient legal justification.

b. Canada

Under USMCA, Canada must provide patent term adjustment (PTA) for unreasonable delays during the prosecution and issuance of any patent. However, Canada has created a PTA framework which includes inequitable barriers that prevent American patent holders from obtaining compensation for unreasonable delays. The process to apply for PTA is burdensome, costly and creates significant market uncertainty.

The Roundtable urges USTR to secure commitments from Canada and Mexico to honor their USMCA obligations with respect to IP.

3. Canada Should Withdraw or Amend Digital Local Content Restrictions

a. Online Streaming Act

The Canadian government passed the Online Streaming Act in 2023, which empowered the Canadian Radio-television and Telecommunications Commission (CRTC) to impose measures to promote Canadian content on streaming services. In 2024, the CRTC determined that streaming services would be required to contribute five percent of their Canadian gross revenues to support Canadian content, as well as carry a quota of Canadian audio programming.

CRTC's approach runs afoul of USMCA Article 19.4, which provides for non-discriminatory treatment of digital products and Article 14.10.1(b), which addresses performance requirements for investment. In particular, Article 14.10(b) provides that no USMCA Party in connection with the investment made by an investor of another Party may impose any requirement "to achieve a given level or percentage of domestic content." The Online Streaming Act, as applied by CRTC, does exactly that. American companies must pay a fee that subsidizes solely Canadian domestic content, resulting in discrimination. Notably, the CRTC may increase the financial levy to as high as 30 percent, in which case the Online Streaming Act could cost the U.S. industry $7 billion by 2030.

Furthermore, requiring streaming services to carry a quota of Canadian content is discriminatory because it effectively results in streaming services having to exclude a degree of American content. It bears emphasis that the CRTC is applying the inapposite approach that Canada applies to broadcast content. Broadcast content inherently only allows a certain amount of materials to be delivered to audiences in a given time interval. Streaming is about having content availability that the consumer might wish to obtain at the time of their choosing. Streaming operates on the basis of maximizing available content for a user. A quota requirement for a streaming service results in *de facto* discrimination against U.S. content because some must be kept unavailable to establish the quota. Accordingly, USTR should urge Canada, consistent with its USMCA obligations, to withdraw or amend the Online Streaming Act to end the discrimination against U.S. streaming services and content creators.

b. Québec Bill 109

Discriminatory local content may also become an issue at the Canadian provincial level. On May 21, 2025, Québec's Ministère de la Culture et des Communications tabled Bill 109, which purports to promote discoverability of and access to original French-language cultural content in the digital environment. It grants broad authority to the Québec Cabinet to enact regulations that will impose new registration requirements, reporting and potential French content quotas, accessibility and discoverability requirements on digital platforms and manufacturers of TVs and connected devices. It also creates a new administrative unit within the Ministère de la Culture et des Communications under the name "Bureau de la découvrabilité des contenus culturels" (the BDCC) and gives the BDCC broad powers to enforce the bill. Like the Online Streaming Act, Bill 109, if enacted, will have major economic impacts on U.S.-based streaming companies, as well as manufacturers of connected devices. The Roundtable urges USTR to secure a commitment from Canada to work with the province of Québec on alignment of its laws with Canada's USMCA obligations.

4. Mexico Must End Discrimination in Favor of its State-Owned Enterprises or Domestic Companies in Strategic Sectors

Mexico has adopted a number of measures in recent years, particularly in strategic sectors such as energy, telecommunications and aviation that benefit its state-owned or domestic enterprises. USTR should insist that Mexico end discrimination of American companies in favor of its state-owned or domestic companies, including in the following sectors.

a. Energy

In 2021, Mexico amended its Electric Power Industry law to require its grid operator, Centro Nacional de Control de Energía (CENACE) to prioritize electricity produced by its state-owned electrical utility, Comisión Federal de Electricidad (CFE), over private competitors. Similarly, in 2022, Mexico's Secretary of Energy sent a letter to Mexico's Centro Nacional de Control del Gas Natural, or CENAGAS (National Natural Gas Control Center) that requires users of Mexico's natural gas transportation service to prioritize the sourcing of gas from CFE or Pemex, Mexico's state-owned oil company. These measures are inconsistent with Article 2.3 of the USMCA Market Access Chapter because it denies "national treatment to U.S. goods" and Article 22.5.2, concerning state-owned enterprises (SOEs), since Mexico's SOEs are failing to use their regulatory discretion in an impartial manner with respect to the enterprises it regulates. Mexico's recent legal counter-reform, including amendments to its hydrocarbons and electricity industry laws and regulations, violate several USMCA provisions.

Moreover, Mexico has recently been implementing non-tariff barriers, including new import permits for energy products, gas station and terminal inspections; customs inspections; tax audits; and a fuels price fix that is hindering private sector's ability to compete with SOE Pemex – also in violation of Article 22 of USMCA.

b. Telecommunications

Mexico's system for spectrum fees includes a mandate that operators pay two separate components: an initial payment during the auction process upon successfully winning a spectrum bid and an annual fee to maintain its right to the spectrum during the license term. According to the former Mexican Regulator, IFT, the high and discriminatory spectrum fees have proven to hinder competition, coverage and investment. Mexico has one of the most expensive spectrum costs, between 88 and 96 percent above the international benchmark, hindering digital transformation in the country. USTR identified such spectrum annual fees as a significant trade barrier that must be eliminated; under USMCA Article 18.17.2, Mexico's regulatory decisions and procedures in the telecom area, including with respect to spectrum, must be impartial to market participants. Accordingly, Mexico should reform its fee structure for spectrum to align with international standards and also restore an independent telecom regulator to ensure that U.S. companies are not disadvantaged in the Mexican telecom sector.

Regrettably, Mexico continues to move in the wrong direction with respect to telecommunications. Contrary to USMCA Chapters 18 and 22, a Mexican constitutional reform in October 2024 eliminated the independent IFT by transferring its functions to a new super agency that is subject to politicization. That politicization is already evident in that Mexico now allows SOEs that provide internet services, such as CFE, to act as monopolies thus impeding the ability of private U.S. companies to compete in the market. Moreover, the new Telecommunication and Broadcasting Law approved in July 2025 allows SOEs to simultaneously hold a commercial and public telecommunications license. This allows SOEs like CFE the ability to enjoy public subsidies that are denied to private companies, thus undermining the principle of competitive neutrality.

c. Aviation

Since 2022, Mexico has implemented policies that reduced access of some U.S. passenger carriers' service to Benito Juarez International Airport (MEX) and forced all-cargo carriers to leave MEX. Mexico took these actions against U.S. interests purportedly to allow construction at MEX, but three years later, no construction has materialized. Some U.S. carriers as a result face reduced market access over their Mexican competitors. Mexico should restore slots to U.S. passenger carriers and access to U.S. all-cargo carriers at MEX.

d. Delivery Services

Mexico's postal operator, SEPOMEX, enjoys significant advantages over U.S. express delivery firms. First, Mexico clears SEPOMEX's imported shipments at no apparent cost and with virtually no customs formalities when the shipment is valued below USD$50. For any dutiable mail, duties are deferred and paid upon delivery by the consignee after their release from customs control. In contrast, U.S. express shippers face a more onerous administrative process, including the requirement that the express company serve as the importer of record and retain a customs broker. Duties must also be paid in advance. Mexico has no legitimate reason for

this disparate treatment of U.S. firms and should treat its postal operator and U.S. express delivery companies on identical terms.

Second, U.S. express shippers, unlike SEPOMEX, are subject to a variety of regulatory burdens such as advanced manifest requirements. These manifest requirements include 24 mandatory data elements for each shipment plus the requirement of two monthly reports with 34 mandatory data elements. If Mexico is concerned about the visibility of imports, there is no reason to exempt its own postal operator from such requirements.

5. The Parties Must Administer Customs Operations Consistently with USMCA Obligations

a. Mexico's Abrupt Changes to Customs Rules

Mexico routinely makes major changes to its customs rules with no implementation period, which creates operational disruptions. Article 7.3 of USMCA provides that USMCA Parties "shall publish, in advance, regulations of general application governing trade and customs matters that it proposes to adopt and shall provide interested persons the opportunity to comment before the Party adopts such regulations." Moreover, USMCA's Good Regulatory Practices Chapter provides that regulations that may have a significant impact on trade should normally be allowed a 60-day comment period. BRT urges USTR to secure commitments from Mexico to adhere to its USMCA obligations, including by providing notice and comment periods before making changes to its customs rules and providing longer implementation periods before these changes enter into force.

b. Mexico's Customs Valuation Methods

In efforts to address perceived dumping, Mexico has inappropriately instituted the use of reference prices for several product types rather than standard valuation methods, which results in importers having to declare artificially high customs values for these products. BRT urges USTR to secure commitments from Mexico to revert to standard valuation rules and address any perceived dumping through proper anti-dumping investigations to provide due process in antidumping proceedings and the methodologies used to calculate dumping margins.

c. Canada's Customs Assessment and Revenue Management System (CARM)

U.S. companies are facing significant challenges with the Canada Border Services Agency's (CBSA) CARM system. The transition to CARM has imposed administrative and financial burdens, including requirements for importers to register, manage their own accounts, and post bonds directly with CBSA. This is creating inefficiencies and bottlenecks for U.S. exporters, disrupting established broker processes, and adding significant supply chain costs. Frequent technical failures and billing inaccuracies have further delayed shipments and increased compliance risks. BRT urges USTR to press Canada to address these deficiencies, improve system reliability and streamline importer registration to ensure that cross-border trade is not

hindered. In particular, CBSA should modify CARM to allow licensed customs brokers to fulfill the essential CARM requirements for U.S. companies shipping to Canada and to allow importers to make blanket corrections to customs entries.

Allow Brokers to Fulfill CARM Requirements:
Importer registration rates remain very low under CARM, requiring CBSA to create contingency measures for clearing entries in specific scenarios (e.g. perishable medical shipments). CBSA should consider making these measures permanent, along with other changes to CARM, to alleviate the bottlenecks and costs caused by the program. CBSA should look to expand the instances in which a customs broker can serve in the necessary CARM roles instead of, for example, requiring infrequent importers to comply with the burdensome CARM requirements.

Allow Corrections to Customs Entries:
Through CARM, CBSA has eliminated the ability for importers to make blanket corrections to customs entries. Before the transition to CARM, importers could make such corrections through a CBSA Facility Information Retrieval Management System (FIRM) report. CARM instead requires individual correction of entries. This process is exceedingly cumbersome, particularly when making annual corrections per agreed-upon adjustment regimes. The estimated correction times have risen dramatically, with no purported benefit for Canada's customs authorities. USTR should encourage Canada to allow corrective actions through CARM and restore the ability of importers to file FIRM reports if updating CARM will take time.

6. Mexico Should Ensure Fairness in Government Procurement

In recent years, Mexico has made frequent and non-transparent changes to its public procurement system, often with unreasonable implementation timelines. These changes have rendered the system confusing and lacking in due process, creating substantial market access barriers that led to supply chain challenges and product shortages.

Mexico has also increasingly turned towards issuing targeted invitations for procurement rather than general tenders. Although Article 13.9 of USMCA permits limited tendering, it also requires that it not be done for the purpose of avoiding competition, to protect domestic suppliers or to discriminate against suppliers in the other USMCA Parties. Moreover, even when tenders are selective or general, Mexico utilizes shortened procurement application windows and is increasingly demanding investment commitments as conditions for obtaining an award. For example, the Mexican government issued a decree in June 2025 linking public sector pharmaceutical purchases to domestic production and/or investment. USTR should ensure that Mexico, consistent with its USMCA obligations, maintains a transparent and non-discriminatory government procurement process that reinforces the provision of national treatment and does not include requirements related to local content, production, investment or technology transfer as a condition of participation for U.S. firms.

III. Recommendations for specific actions that USTR should propose ahead of the Joint Review

1. Mexico Should Establish a Steel and Aluminum Monitoring System

The Joint Review provides an opportunity for the United States to insist that Mexico establish an effective monitoring system for steel and aluminum to identify transshipment and ensure the integrity of the USMCA ROO. This is a long-standing U.S. request, dating back to May 2019 when the United States agreed to lift Section 232 tariffs on Mexican steel and aluminum. The agreement provided that there would be an agreed upon process for monitoring steel and aluminum trade between the Parties.[20] Such a system is necessary—and consistent with the Trump Administration's policy—to ensure that the benefits of any trade agreement accrue to its parties and not permit free riding.

The need for such a system is particularly acute in the aluminum sector because of the security implications. The two countries most likely to engage in transshipping of aluminum are Russia, which is deeply discounting aluminum as a means to raise revenue in light of international sanctions and increased U.S. tariffs and restrictions on Russian aluminum, and China, which has heavily subsidized its industry to the point that global competition has been devasted. Critically, a robust monitoring system will provide the data necessary to develop a coordinated regional strategy that promotes North American economic interests.

2. The Parties Should Strengthen Digital Trade Commitments and Cooperation

Although USMCA contains a "gold standard" digital trade chapter, digital trade is rapidly evolving. The Roundtable recommends that USTR propose incorporating the following commitments into the digital trade chapter to ensure it keeps up with the pace of innovation and continues to support U.S. technology leadership.

a. <u>Prohibit Digital Services Taxes and Commit to Non-Discrimination</u>

Around the world, U.S. companies, particularly in the digital space, face discriminatory taxation, precisely because they are so successful. Countries have used "success metrics", such as thresholds based on global revenue and number of users, to claim they are not discriminatory. USTR should call for the USMCA Parties to fortify commitments on non-discrimination, including through new commitments that explicitly prohibit digital services taxes and prevent the use of thresholds to disguise discriminatory taxation of digital products and services that is targeted, *de facto*, at U.S. companies.

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[20] Joint Statement by the United States and Mexico on Section 232 Duties on Steel and Aluminum, May 17, 2019; Joint_Statement_by_the_United_States_and_Mexico.pdf.

b. Recognize International Standards for Emerging Technologies

USMCA should keep pace with new critical and emerging technologies, such as artificial intelligence, through interoperability by requiring the Parties to recognize international standards that are developed consistent with the World Trade Organization's Principles for the Development of International Standards, Guides and Recommendations.

c. Commit to Non-Discriminatory Cybersecurity Certification Standards

The USMCA Parties should commit to non-discriminatory cybersecurity certification standards and measures. This 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.

d. Harmonize Cybersecurity Standards, Frameworks and Certifications

The USMCA Parties should commit to adopting common cybersecurity frameworks, such as the National Institute of Standards and Technology (NIST) or the International Organization for Standardization (ISO), across sectors. Common adoption would provide a consistent set of standards for businesses operating in all three countries, reducing the need to comply with divergent national regulations.

The Parties should also agree to one set of cybersecurity certifications for North America. Doing so would eliminate duplicative compliance costs for businesses. For example, there are a few key differences between the U.S. Cybersecurity Maturity Model Certification and Canada's developing Canadian Program for Cyber Security Certification. The actual security controls implemented differ due to reliance on 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.

e. Collaboration Mechanisms

In order to ensure that the Agreement remains current, USTR should propose provisions to establish a USMCA committee on digital trade to provide a forum for the Parties to exchange information and coordinate on regulatory approaches on digital trade. BRT recommends that, in doing so, the Parties set up a formal mechanism within the committee for stakeholder engagement on digital trade issues, including cybersecurity.

3. The Parties Should Modernize the Financial Services Chapter

To ensure that USMCA effectively addresses future challenges, USTR should propose that the Parties strengthen the following elements of the Financial Services Chapter of USMCA:

- *Data Flows and Data Localization*: The chapter should contain a commitment explicitly prohibiting 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. This would enable financial institutions to leverage the best options available on cloud computing, data analytics and other digital technologies.

- *Regulatory Cooperation and Information Sharing*: The chapter should include provisions for enhanced regulatory cooperation and information sharing on emerging financial technologies and cybersecurity threats. This could facilitate joint efforts to develop appropriate supervisory practices.

- *Fintech Working Group*: The Parties should form a dedicated USMCA Fintech Working Group under the Financial Services Committee to coordinate on issues related to digital financial services, standards and best practices to help align the regulatory approaches of the three countries.

These commitments can play a critical role in advancing U.S. regulatory interests and dominance in financial services.

4. USTR Should Broaden the Availability of Duty Drawback and Duty Deferral Programs under USMCA

Article 2.5 of USMCA restricts drawbacks to "the lesser of the total amount of customs duties paid or owed on the good on importation into its territory and the total amount of customs duties paid to another Party on the good that has been subsequently exported to the territory of that other Party." Effectively, this means that content from USMCA Parties is disadvantaged from using foreign trade zones in comparison to imports from other countries. This disincentivizes both the integration of supply chains within North America and exports to Canada and Mexico versus other countries. To redress this issue, the Roundtable urges USTR to eliminate the "lesser of the two" rule.

5. The Parties Should Improve Transparency and Due Process in the USMCA Rapid Response Mechanism (RRM) for Labor Violations

The RRM is a *mechanism* designed to raise labor standards in Mexico. However, the mechanism was developed late in the USMCA negotiations in 2019—specifically during the process for securing USMCA ratification by Congress. As a result, the provisions establishing the mechanism lack a number of procedural due process safeguards and transparency requirements. To address these concerns, the Roundtable recommends that USTR table proposals that:

- Ensure covered facilities subject to RRM proceedings have reasonable access to the allegations and the non-sensitive underlying information that substantiates them;

- Establish requirements for greater clarity or guidelines regarding when the United States will request a suspension of liquidation when a matter is pending;

- Ensure that covered facilities and their counsel have the right to attend and make submissions to panels reviewing denial of rights;

- Require that requests to review a denial of rights identify the principal acts or practices that constitute the denial; and

- Require Parties to consult with covered facilities and their counsel when developing remediation actions.

6. The Parties Should Adopt Workstreams for Trade Facilitation and Enforcement

The Roundtable recommends that USTR use the Joint Review as an opportunity to develop work streams to prevent future irritants and allow for greater opportunities for simplified—and trusted—trade to expand. The USMCA Trade Facilitation Committee established pursuant to Article 7.24 is an appropriate forum to undertake such work, particularly since it was envisioned as permitting traders to provide input relevant to the Committee's work.[21] BRT encourages USTR to have the Committee undertake two specific projects:

- A trade facilitation project to align rules, trusted trader programs and technological interoperability for USMCA Parties; and

- An enforcement project that promotes cooperation on enforcement activities.

a. Facilitation

The trade facilitation project should identify and examine disparate approaches to the entry data required for various goods and promote alignment. Additionally, the project should examine how technology, interoperability and artificial intelligence can simplify customs procedures, especially for participants in the three countries' trusted trader programs. For example, a technical working group can examine the operation of the Parties' technical systems for their respective single windows—the Automated Commercial Environment (ACE) for the United States, the Ventanilla Única de Comercio Exterior Mexicana (VUCEM) for Mexico, and the CBSA Assessment and Revenue Management System (CARM) for Canada—to assess whether they can adopt similar approaches for data entry and revenue collection. Such system interoperability would promote efficiency for traders and enforcement cooperation for the Parties.

[21] Article 7.24.4.

As part of the facilitation project, scrutiny should be afforded to Mexico's Servicio de Administración Tributaria (SAT). SAT has increasingly challenged NAFTA and USMCA certificates of origin (COOs) that are required to qualify products for tariff benefits under these agreements. SAT officials have increased the number of audits as well as the documentary requirements and burden of proof for importers to demonstrate compliance with the rules of origin. Mexico has failed to demonstrate that these COO audits are yielding any noticeable benefits. BRT urges USTR to push for USMCA commitments to increase cooperation and harmonization on USMCA COO verification procedures through tangible steps that provide clearer transparency, guidance and engagement with the private sector. Such guidance should include annual reports with aligned metrics on USMCA enforcement activities, joint guidance on current USMCA verification and audit procedures as well as required documentation to support data elements included in COO claims, and clear best practices.

b. Enforcement

The enforcement project should operationalize Article 7.25 of the USMCA, which provides a mechanism for cooperation but does not outline any specific priorities for enforcement. The Trade Facilitation Committee should identify priorities and develop a balanced approach to enforcement that dedicates time and resources to high-risk trade in priority areas and facilitates trusted and low-risk trade.

One potential area to improve enforcement is Mexico's supply chain security program, the Authorized Economic Operator (AEO), which is administered by SAT. Designed to align with the U.S. Customs Trade Partnership Against Terrorism (CTPAT) and follow World Customs Organization best practices, the AEO strengthens international logistics security, particularly against threats such as terrorism, smuggling and other risks. It has become an important certification regime for U.S. companies exporting across the U.S. and Mexican borders. Its use should be encouraged to ensure enforcement resources can focus on the most significant threats. However, Mexico is considering a proposed Amendment to the Customs Law (Article 100-C) that would allow authorities to revoke AEO certification for minor and administrative infractions—including for non-intentional conduct—and bar companies from future reauthorization for those minor infractions. The disproportionate penalties fail to advance any articulable national security objective. The U.S. government should consider inclusion of a protective clause within USMCA that would prevent the permanent cancellation of AEO certification solely due to administrative infractions, ensuring that enforcement actions remain proportionate and aligned with international trade norms.

7. USTR Should Secure Agreement Among the USMCA Parties to Abide by the WTO Agreement on Trade in Civil Aircraft

Aerospace is vital not only as a driver for innovation and economic growth, but because the technologies also support defense and intelligence systems. Fortunately, North America is a leader in civil aviation production. At the moment though, just the United States and Canada are Members of the WTO Agreement on Trade in Civil Aircraft (WTO Agreement). The

Roundtable recommends that USTR either encourages Mexico to join the WTO Agreement or adopt parallel commitments to improve its contribution to the North American aviation supply chain. In any event, the USMCA Parties should, through the Joint Review, re-commit to the longstanding principle of duty-free treatment for civil aircraft and their parts.

8. The Parties Should Establish Formal Mechanisms for Public Participation in all USMCA Committees

USTR's public consultation for the Joint Review reflects Congress' position that public input strengthens trade policy—a principle that should apply broadly with respect to all of USMCA's various technical committees. BRT recommends that USTR propose new mechanisms to formalize public-private dialogue within the USMCA technical committees. Such mechanisms will provide the Parties' trade negotiators with more complete information from the stakeholders that are confronting day-to-day trade challenges in the North American region and better equip the Parties to prioritize issues for the committees' work and identify solutions to any identified issues.

9. The United States Should Increase the Number of Labor Attachés

Section 721 of the USMCA Implementation Act established five labor attachés to assist in the monitoring of labor rights in Mexico. These attachés have been a valuable resource to some U.S. companies, particularly for those sourcing from Mexico or with limited internal resources for labor monitoring. In particular, they provide useful information on labor conditions at particular facilities in Mexico and help resolve issues when they do arise. Given that they are a force multiplier in improving labor conditions in Mexico and ensuring U.S. companies source from suppliers that treat their workers fairly, USTR should work with Congress and stakeholders to consider expanding the number of labor attachés in Mexico.

10. The Parties Should Strengthen Disciplines on State-Owned Enterprises (SOEs)

One of the most important achievements of USMCA was a chapter dedicated to dealing with the market distortions generated by SOEs. Those provisions should be strengthened by completing the work on sub-central SOEs. The need to strengthen such provisions is particularly acute with respect to procurement by SOEs. The basic principle of USMCA Article 22.4.1(a) is that SOEs should act in accordance with commercial considerations, except to fulfill certain public service mandates. However, Mexico is increasingly overseeing the procurement of its SOEs in a manner that *de facto* undermines this commitment. For example, the Mexican Digital Ministry must now review and approve Information and Communication Technology (ICT) procurements by SOEs, creating an added layer of approval that could be used to discriminate against U.S. companies. USTR should work with Mexico to clarify that it shall refrain from reviewing and conducting a "secondary approval" or overriding a procurement decision made by an SOE—unless there is evidence that the procurement is not based on commercial considerations.

IV. Factors affecting the investment climate in North America and in the territories of each Party, as well as the effectiveness of the USMCA in promoting investment that strengthens U.S. competitiveness, productivity and technological leadership

1. Mexico's Judicial Reforms Damage Investor Confidence

Mexico's recent judicial reforms, including efforts to eliminate independent regulators, will chill the investment climate in Mexico. Under the judicial reforms, Mexico will be the world's only country to elect all of its judges by popular vote, raising concerns that disputes between private investors and the government will be subject to political considerations rather than the rule of law.

To mitigate the risk from politicized judiciaries, the Roundtable strongly recommends that USTR consider restoring Investor-State-Dispute Settlement (ISDS) with Mexico. Over the past five years, Mexico has taken several troubling actions that have adversely affected U.S. investments in the country, such as the expropriation of a U.S. company-owned quarry and the imposition of retroactive taxes on insurers. By restoring the full ISDS system in Mexico, U.S. investors will have the option to redress grievances through independent arbitrators. The mere existence of ISDS is likely to give pause to political figures considering expropriation or pressuring courts to bend to political whims.

2. Canada Artificially Devaluing Innovative Medicines and Delaying Access to Patients

In Canada, the Patented Medicines Prices Review Board (PMPRB) sets maximum prices for all patented medicines sold to public or private payers by referencing prices in other countries. In 2021, Canada removed the United States and Switzerland from the reference basket of countries to artificially drive the reference price down. USTR should urge Canada to sunset the PMPRB or put the United States back in the reference country basket while continuing to apply the PMPRB International Price Comparison Test using the Highest International Price standard.

Additionally, Canadian policies result in significant delay in providing patients with innovative medicines. It takes approximately two years following regulatory approval for a medicine to reach patients insured on public drug plans. 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. USTR should encourage Canada to reduce the regulatory steps between national assessments and inclusion on public formularies of provinces and territories and consider an Accelerated Access Pathway for new innovative medicines. It should also ensure the pCPA recognizes the value of the innovation and reflects this in pricing decisions.

3. Mexican Tax Authorities Unfairly Target U.S. Companies

SAT and related agencies have increasingly targeted U.S. multinational companies with unreasonable tax audits and assessments. While tax disputes are expected, U.S. companies have been assessed unreasonable tax charges, often based on new audits of previously closed tax filings. Moreover, anticipated reform to the Código Fiscal de la Federación (CFF) could result in a critical change to the dispute resolution process, whereby U.S. companies will be required to pay a "deposit" equivalent to the amount of the tax assessment in order to file an administrative appeal.

The targeting of U.S. companies, along with a "pay-to-process" change to the dispute process, suggests that some of these tax assessments are not based on a principled application of Mexican accounting or tax rules but rather, are an attempt to extract additional corporate tax revenue from American companies. Unfortunately, these tax disputes are difficult to resolve given the opaque and costly appeals process and the weakening of judicial independence in Mexico. The targeting of U.S. companies in a discriminatory and arbitrary manner raises the costs of doing business and should be urgently addressed in the USMCA Joint Review.

V. Strategies for strengthening North American economic security and competitiveness, including collaborative work under the Competitiveness Committee, and cooperation on issues related to non-market policies and practices of other countries

1. Enhance Economic Security Through Cooperation on Regulatory and Economic Security Controls

The Joint Review presents an opportunity to enhance North American economic and security cooperation through greater alignment of the Parties' policies on export controls, investment screening of sensitive investments by adversarial parties, trusted technologies and actions to address excess capacity from non-market economies. Any such policy alignments should be structured to ensure the benefits of USMCA accrue to the Parties, to mitigate the likelihood of unilateral action by one Party against the others and to provide mutual defenses for the Parties against economic coercion or non-market practices of non-Parties.

Recognizing both the novelty and significance of incorporating economic security measures into a trade agreement, the Roundtable expresses its support for consideration of such measures with a view towards cementing a political commitment among all Parties for continued integration and competitiveness of the North American market. However, as noted with respect to any potential changes to rules of origin or other measures to address transshipment, the Roundtable strongly urges USTR to conduct thorough public consultation to ensure that any new policy alignments are appropriately reflective of industry nuances and supply chain realities.

2. Strengthen Supply Chain Resilience and Security, Including through the Trilateral Sub-Committee on Emergency Response

USMCA Free Trade Commission Decision 5 directed the North American Competitiveness Committee to establish a Trilateral Coordination Sub-Committee on Emergency Response. The Sub-Committee or the parent Competitiveness Committee should identify gaps in production capacity within North America for critical supply chains, such as for critical minerals and semiconductors, and methods to establish production capacity for the same. To ensure that the Committee has access to current and relevant information, including dependencies on goods from non-market economies, the Roundtable urges USTR to propose that the Sub-Committee launch this process by increasing its engagement with the public, including through hearings and public comments.

3. Continue to Modernize Digital Trade Provisions

The USMCA digital trade chapter is the current gold standard, but digital technology is rapidly evolving and rules must evolve accordingly to address challenges posed by geostrategic competitors. The Roundtable recommends that USTR consider, in consultation with stakeholders, the following areas for potential new USMCA commitments on digital trade—

- Facilitating the use of trusted vendors and technology in government supply chains and creating a process for mutual recognition of cloud security requirements in government procurement;

- Strengthening cooperation on cybersecurity issues, including by:

    - ensuring non-discriminatory cybersecurity certification standards and measures;

    - establishing harmonized cybersecurity standards and frameworks, including harmonized cybersecurity certification requirements, and encouraging development and adoption of the NIST post-Quantum cybersecurity standards; and

    - creating a formal mechanism for industry and governments to collaborate on cybersecurity policies, best practices and threat information sharing relevant for cross-border business operations;

- Facilitating the deployment of AI and quantum technologies through recognizing international standards regarding interoperability;

- Precluding digital services taxes by prohibiting the use of discriminatory regulatory thresholds, such as those based on global revenue or number of users;

- Strengthening the data flows and data localization provisions in the financial services chapter to explicitly prohibit unnecessary requirements that may result in data localization and ensure the free flow of financial data across borders;

- Protecting technology choice and open innovation; and

- Encouraging interoperable electronic and invoicing frameworks.

4. Enhance Good Regulatory Practices in North America

USMCA is unique among modern trade agreements for containing an ambitious chapter on Good Regulatory Practices that commits the Parties to transparent regulatory systems. However, the Parties can enhance these commitments further through the Joint Review. BRT encourages USTR to push for strengthening provisions related to transparency and due process protections, particularly related to regulatory oversight, administrative matters, tax issues and the use of economic modeling for environmental regulation. Increasing and harmonizing the use of economic modeling for certain environmental issues, such as plastic pollution, waste management and recycling, is particularly salient in the context of North American cooperation and integration, given that these issues have regional impacts.

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The Roundtable appreciates the significance of the Joint Review. As these comments demonstrate, USMCA—and its continued success—is of critical importance to Business Roundtable members, who rely upon it to create high-paying jobs and economic growth in the United States. Should you have any questions about this submission, please contact Nasim Fussell, Vice President (nfussell@brt.org or 202-556-2063).