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USMCA FORWARD 2026 LAUNCH

The joint review and the future of North American trade

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OPENING REMARKS

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**COULIBALY:** Good morning, everyone. Good morning, everyone.

**AUDIENCE:** Good morning.

**COULIBALY:** All right. That's great. I was beginning to wonder whether our coffee is strong enough, but, welcome to Brookings. We're really pleased that you could be with us both in person and also online. My name is Brahim Coulibaly. I'm the vice president of the Global Economy and Development program. So thank you for being here for the launch of the fifth Brookings annual flagship report on the USMCA and its implementation, its implications for North America's economic future.

Since replacing NAFTA in 2020, the USMCA has been tested by extraordinary shocks. The COVID-19 pandemic supply chain disruption, geopolitical tensions, inflationary pressures and acceleration of industrial policies. It has also coincided with a broader global debate about the future of trade, whether we're moving toward a fragmentation, friend-shoring, near-shoring, or renewed regionalism.

This report could not have been more timely. The agreement's joint review deadline is fast approaching and as stakeholder, this is the time to ask ourselves some fundamental questions. Has the USMCA delivered on its promises? What tensions have emerged in implementation? And how should the three governments approach the upcoming review to ensure stability and continued competitiveness?

So let me share three observations to put in context importance of the USMCA and of a successful review. First, regional integration remains a strategic asset. North America's economic strength lies in its complementarities in energy, labor markets, technological capabilities, and market size. Preserving predictability in the agreement is essential to sustaining investment and reinforcing the region's position in an increasingly competitive global economy.

Second, the agreement operates in a new policy environment where industrial policies, climate policies, geopolitical tensions, national security considerations, all now play a larger role in trade and investment decisions. Managing these dynamics without undermining the rule-based framework will be one of the central challenges going forward.

Third, the review process itself should not be seen as a source of uncertainty, but as an opportunity to improve implementation, to address emerging frictions constructively, and to reinforce the shared commitment to regional cooperation and to the agreement. The U.S., Canada, and Mexico are locked together by geography, and as such, the future of each country will matter for the future of the other two. So even out of self-interest, the country will benefit from building and sustaining a strong regional agreement.

There is an emerging trend from the three countries seeking out other partners. This should not be viewed as necessarily inconsistent with the regional agreement. Strong regional partnerships are not at odd with global engagement. On the contrary, a competitive and integrated North America strengthens each country's position to engage globally from a position of strength.

The report we're launching today, like the previous ones, reflect careful research and thoughtful analysis by our scholars and our stakeholders from all the three countries. It aims

to provide evidence-based insights and recommendations to inform a successful joint review. You can download it online via the QR code that you can find on these cards. I think each seat should have had one.

So we are fortunate today to have a really excellent set of panels and experts who understand both the economic stakes, the political and geopolitical realities. So I look forward to a really candid and constructive exchange about what is working, what needs adjustments, and how the three countries can navigate the next phase of this agreement.

So before I conclude, let me express our gratitude to the authors, our partners, for their contributions and support, and to all of you for being part of this very important conversation. So let me now turn it over to my colleague, Christopher Sands, who is the lead scholar on the USMCA to guide us through the remainder of the event. Chris, the podium is yours.

**SANDS:** They just asked me if I'm going to the podium or the chair, and I picked the chair, so I'll be right over here.

Well, good morning everyone. This is not my first opportunity to be with the USMCA, Forward, USMCA initiative team, but it's my first chance to be here as the lead scholar. I joined as a visiting fellow not that long ago. It's great to see some familiar faces here. Why'd I join? Well, because of the quality of the work. There's simply nothing better on the USMCA and I know that's why you're all here and online.

When we talk about the USMCA, the devil is in the details. And as Shakespeare wrote for Prospero, all the devils are here in this wonderful publication, which I hope you will download and share with your friends. But here to help explain it all, we don't have devils, but angels, three outstanding panelists. I don't know if anybody's called you that lately. To my right or to my left is Barry Appleton, who is a professor of law at the New York University School of Law. Kari Heerman, who is my colleague, but in the economics section at Brookings and a senior fellow here, and Todd Tucker, who is a senior fellow with the Roosevelt Institute.

I'm gonna ask each of them to open up with a few comments just to give you a sense of where they're thinking. But let me start with you, Barry.

**APPLETON:** Well, first of all, I want to say how delighted I am to be here. This is an engaged public policy audience, and the work at Brookings is unbelievably valuable.

Now, I come to this discussion in a different way because I was involved in the negotiation and advisory on the NAFTA agreement in Canada. So I'm a Canadian and an American. I'm a Canadian lawyer and an American lawyer. I teach in both countries and I focus on the economics of integration of supply chain of the continents as well as the digital economy. So somehow I've spent the last five years working on that, and that is an important element in here too.

Now, I wish I had the opportunity to be able to participate on the chapter dealing with dispute resolution and dispute resolution was a really important element when we were looking at the USMCA. Now, remember, the USMCA is the next step from the NAFTA, right? So the USMCA, the idea was that we were gonna tweak it, we were gonna improve it, we were gonna make it more efficient and better capable of dealing with the impacts of a changing economy, integration, supply chains, all those things that were important to us.

And very interesting area for dispute resolution with the area about labor and the rapid response mechanism, which has been, I think, quite a success, at least because it was innovative and its function we've had now of I think, 46 opportunities use it. One from Canada, all the rest from the United States.

It's a bilateral mechanism, not a mechanism that goes in terms of the entirety of the agreement. So it's a little bit different in that way. So the whole idea about the, but remember that the USMCA is an agreement that actually has three names. And that's what they told us at the beginning, that there was an element of some difficulty. 'Cause you have the USMCA is its name in the United States. The CUSMA is its name in Canada, and the T-MEC is its name in Mex in Mexico.

**SANDS:** And there's a French acronym, ACEUM

**APPLETON:** ACEUM, it's true actually. Yes. I'm sorry. As a Canadian actually, thank you. I'm so glad we have Chris who really understands things. It's true, we have four names. But, and that's not for plausible deniability, but it's because the element of this agreement was in a different way than the other agreements. This was not an agreement that we created for the purpose of creating a non-zero sum benefit. The types of things that we think about and talk about a lot here at Brookings, the ideas of regional integration, the ideas of enhancement along the way, the USMCA was the first step in a process that was about reevaluation and tinkering.

So when we think about the area about dispute management, there, we have some issues that started to move us to where we are today. So the chapter that I wrote, which is pre the US national security strategy, pre hemispheric approaches, but still in a period when we're thinking about the expression of national interest.

It really takes us to an area of where we talk about more leverage than law. And we can't talk today about where things are at without thinking about that concept of the impact of leverage. Because what we do here at Think Tanks Lake Brook is we are deeply engaged in measuring and identifying, and this is the best spot in the world for doing that.

But the values that are intermediated, as we are looking at negotiations, we look at these pieces, look to different types of things. So for example, if you're out trading partner of the United States, if you're in Canada or you're in Mexico, you are looking at being leveraged rather than having the being, having the lever, right.

Even the Supreme Court, with its recent decision on the IEEPA tariffs, it just removed one lever. It left the rest of the mechanisms there. And in fact, if you look at the dissent done by the Supreme Court, it gives you an entire list. And this morning, Secretary Bessent made very clear that we're gonna use the rest of the list, we're gonna go not just, 122s are just a stepping-stone. We're gonna look at national security and we're gonna 232s, we're gonna look at 301. So when we look at the issue of dispute resolution, the wonderful wins I wanted to talk to you about today, the things about the rapid response mechanism, the things about trying to have dispute settlement that deals with trade right, rather than trade might--

**SANDS:** Yep.

**APPLETON:** --they're no longer as important as they used to be. And that's because in an interest forward environment, being right is much less important than getting to the answer. And one of the big differences between Canada and the United States right now when they're negotiating positions is that Canada has been focused primarily on being right, on showing that they're following the rule of law, the types of things that we value and I spent my life dealing with.

But those are no longer the values that get us to where we need to be. That the value that works is certainty and certainty is different from open markets. And certainty is different from being right. And so if your focus has to be on trying to get to a transactional arrangement, which is where you get certainty, then you don't talk about why you're right.

You talk about what the conclusion is going to be. That's very different. And that changes the approach to the suite settlement. And it changes the approach around the way. And as we see through the US national security strategy, we see it now through the geopolitical changes, right? I suggest that the world on February 27th was very different from the world today on March the fourth, right? It's a different type of world where we're looking at interest, we're looking at approach. So we need to think about that as we think about what the review is gonna look like.

And so I want to conclude simply by saying that to me, the idea of what we're going to see in the upcoming review will be less of a focus on what the rules of engagement are, the general principles about supply chain economics, about enhancement, about the focus on environmental protection, about the focus about labor rights, those types of things that were still involved in the USMCA discussion, they're gonna drop down in importance. They may still be there but they're gonna be significantly dropped down.

You're going to see that the Mexicans, I think, have understood the moment a little bit better because they're not talking about who's right and who's wrong. They're talking about what is it that you want and how do we get there? And that for Canada, Canada is very focused on values because that's very much the way Canada has behaved in the trade environment. They focus on this and they have the toughest adjustment to make. 'cause it, it's very difficult when you change your whole mindset. Your vel tantrum changed and so they are having the most difficult things.

But I, if we get there in the questions I'll give you some suggestions of what I think Canada can do on how they deal with that in the review. But from dispute resolution, I think it goes down a level and becomes much more practical. Rather than dealing with the focus, the capacity, the building of independent dispute settlement into a slightly different way.

**SANDS:** Fantastic. Excellent. Kari, can you talk about your chapter?

**HEERMAN:** Yeah. Thanks very much. Thanks very much. Thanks for having me. Working here at Brookings I got a little preview into the full report, and I have to tell you, it is chock full of really great insight and really specific information that I think will be really valuable from a number of perspectives.

I'm gonna start talking a little bit from the agriculture perspective. The chapter that I was privileged to contribute to to I wrote with Ian Sheldon from Ohio State University who's a great agricultural economist and who I've worked with for many years. So I am gonna start a

little bit, I really appreciate your framing, the very practical approach to think about might versus right. But I am gonna remind us right a little bit when we're talking about agriculture. I just can't resist. I'm an economist.

So. It's important I think, to remember that North American agriculture is a globally competitive industry. We are some of each other's most important customers. We're also some of each other's most important global competitors. And not only that, we are like many other industries, and regionally integrated industry. So grains move south, produce moves north. Livestock is process moves across border through through various stages of processing. And a lot of the food and agribusinesses specialty food producers as well as big companies have supply chains that cross North America multiple times. Foreign investment in food and agribusiness sees the United States or the North American market as a single market very often and pins their strategy on that.

So this is an important industry that is competitive globally and well integrated. USMCA improved on the NAFTA in some really important respects for agriculture. It's strengthened science-based sanitary and phyto sanitary standards. These are the things that say it is safe to produce your livestock In this way. Food safety regulations became a lot more transparent, cooperation increased on it, and very importantly, the disputes resolution mechanism improved in such a way that some of the disputes over those more technical details could be resolved in a better way. And those sound like boring technical details.

But for agriculture, for an integrated, integrated industry, those are incredibly important. Those are very vital to make sure that the regional market operates the way it at its potential. So I think a core priority for agriculture is to maintain that system to sustain sewer ship of regulatory cooperation and the disputes resolution, settlement mechanism.

Tariffs still matter. We've had duty-free access in agriculture for most products for a very long time. Some of them were the last duty duties to come down. We're in agriculture. And that duty-free access still has a lot of value. But regardless what really matters is that the preference for regional partners, is there. So having a lower tariff than everybody else. And in this environment we've had in the last several, well, in the last year where tariffs has been much higher, that preference has become much clearer. And what's important is not only that the preference exists, but that it is accessible to people who want to use it.

So, we've noticed when the gap between the preferential rate and the outside preferential rate increased, we saw a lot more utilization of USMCA preferences because it's now worth a lot more money to you. And if to get that preference, you have to hire an expensive attorney, you have to make sure you have great consultants, you gotta have all your paperwork in order that's gonna benefit disproportionately.

It's not only gonna erode the value of the preference because it costs you something to use it, but it also disproportionately benefits big companies relative to small companies who can't afford that kind of thing and don't have the sophistication. So, that's a really important thing, not only if there's gonna be duties, but that they are achievable and clear what compliance looks like.

Another priority that Dr. Coulibaly mentioned and I think is really important is certainty, is policy certainty. It seems like just yesterday we negotiated the USMCA and businesses made long-term decisions based on what was agreed in that framework. Even knowing that

this review was on the horizon and that politics around trade were a little bit unsettled, they still made decisions based on what that framework put out. And they take it seriously. And it's an important part of the value of this is knowing that it's gonna be there in the long run because knowing what the policy, what your market access looks like, is really critical for deciding to hire people, to fire people, to invest in things and those kind of things. So that certainty is real value.

Now in agriculture, uncertainty is just central to the entire enterprise. Like weather is an input into production. So agricultural sector is accustomed to dealing with uncertainty. Commodity markets boom and bust. So, they're accustomed to dealing with production risk, but having that policy risk on top of it doesn't improve resilience.

It just makes a long-term decision making harder to make. At the same time though, I think having this review process is an asset because I think as we've seen with the WTO agreements that can't adapt, lose. So we have to find a way to be able to, especially in this environment when geopolitical tensions are rising, technology is changing fast, and climate is also an increasing challenge.

We do need to have a framework that can live and breathe and adjust as necessary. But that adaptation, I think we need to be careful that adaptation doesn't erode the baseline of certainty but that it makes it stronger. Stepping back on just a couple of things that are a little bit more tangential for agriculture.

One is that rapidly intensifying geopolitical environment over the past decade, agriculture has been exposed very much to what it means to be that when that wall between global commerce and geopolitics falls the, especially in Canada and the United States, our agricultural exporters have come to understand what it means to have your market access be used as a geopolitical tool to achieve other ends.

And that's been a little bit surprising, and we've come to understand that, that is, is that relying on China as our main source of demand comes with a cost. And regional integration can mitigate some of that risk. Certainly diversifying supply chains, diversifying sources of demand, but regional integration can't replace global markets.

For the North American region, we share the Great Plains. We are competitors and we are globally competitive and we should be feeding the world. So we can't lose access to global markets. And we can't forget that those global markets have a real importance for the agricultural sector. And rather than focusing on making North America a fortress, using it as a platform for being more globally competitive is really important in agriculture.

Then just one slight right turn as a last comment is one of the ways that other industries have adapted in this more challenging geopolitical environment is to increase the use of industrial policy. And here the agricultural sector is here to teach you some lessons. We have had industrial policy for forever.

We call it domestic support. And US farm programs, Canadian supply management, Mexican rural development programs, all those things have lessons to offer to the rest of, to the other industries that are now expanding the use of these tools. And one of them is it's not incompatible to use domestic support to support domestic policy goals and to have a trading relationship that thrives.

But it does mean that you need to recognize that when you use domestic policy to achieve domestic policy goals in this way, there are negative spillovers on your trading partners. It doesn't help them, it takes something away from them. And over the last 30, 40 years, agriculture has been pretty good at through negotiation through reforms within countries but also using dispute settlement to settling some of those negative spillovers and to figuring out how to operate.

And that's an important, that's gonna be an increasingly important tool to have correct and to be prepared in advance for some of those kind of disputes as we go forward in this way. And one thing that's different here too is that a lot of the farm programs that I just discussed were really designed to achieve domestic political or domestic economic objectives.

A lot of the reasons that we're thinking about using industrial policy now is to achieve a common external to address a common external challenge. And so there it's even more important not only to be able to adjust to each other's industrial policies, but also to coordinate to the extent possible.

Because if we spend all of our time squabbling over whose subsidies hurt whom, when we have a larger global economic challenge, out there. It not only erodes the value of what we're trying to achieve, but it also is costly on our own integration. So I'll stop there.

**SANDS:** Excellent. Thank you very much. Todd.

**TUCKER:** Alright, thanks, thanks Chris, and thanks to the whole Brookings team: Doziee, Maricarmen, and everyone. I think one of the challenges of doing a project like this and wrangling, over a dozen academics and think tank folks to try to write in a very short amount of space everything that's important to know about North American trade or given sectors. And I think that, for a lot of the sectors that we're discussing—I wrote the chapter with Sue Helper on autos—this was probably one of the most important years in, in continental history when it comes to the number of different policy developments. And so I can say even on the editorial side, figuring out how to update with the very latest news, the little snippets that were happening.

I think the day we went to press was the day that Canada announced its deal with China, an electric vehicle. So that was important to, to break in and the editors asked like, okay, well there's this big looming Supreme Court decision is that gonna, radically change the content of your chapter? And I said, I don't think it will actually, this is one thing that will not change a lot for North American trade or for the auto sector in particular.

And why do I mean that? So we had a couple weeks ago now, the Supreme Court decision ruling that the International Emergencies Economic Powers Act was, is not permissible to to impose tariffs. It didn't, it's not gonna change a whole lot from the North American trade or even from the trade perspective. There are some things, but I, why do I say that? One is that we saw as Barry mentioned immediately a pivot to to using the very many other trade authorities that Congress has chosen to give the executive branch.

If you look at, we're here in the, what is it? The bicentennial plus 50, what's that, the 250 anniversary of the U.S.? The, for the first half plus of U.S. history the insight was that it's really hard to get over 400 members of Congress to make trade policy. Turns out that's pretty hard. So from, since 1934, we've been delegating from Congress to the executive

branch, and now we've decided, whoa, that was maybe a little bit too much. How can we rein it back in, how to rightsize this? Trump is showing that there's a lot of unexploded ordinance when it comes to some of these other authorities. And we're seeing those be deployed kind of one by one.

And we're even saying that within IEEPA, there's still a lot that, that Trump can do. He was threatening Spain with a trade embargo over the Iran, Iran strikes this past week. So there, there's a lot there. And, I think for North America what we've seen is that over the course of the USMCA being renegotiated, replacing NAFTA as Kari mentioned, there was a lot of added paperwork, a lot of added compliance, and the efforts to have stricter rules of origin other requirements for North American trade.

And that's meant that, against the baseline of a most favored nation tariff of 2.5% for a lot of transactions, it may not make sense to do all that additional paperwork if you can just opt out and pay the 2.5% tariff. And so we did see an increase in the first few years of USMCA of non-compliance importers choosing to go on an MFN basis rather than use the USMCA.

And I think that if you talk to the Trump team from the first administration, that was a huge constraint for them in the USMCA renegotiation, which is that you'd like the standards in the, in, in the region to matter. On the other hand, if you can just opt out, it's a big problem.

So for better, for worse, we now are in a different reality where like the outside option is, looks very different than it did before. And I think that for, we've seen sort of the rate of USMCA compliance over the last year go way up. It's, Canada and Mexico remain the most attractive places in the world to export to the U.S. if you're exporting to the U.S. given that there is the possibility of duty free trade for a lot of products.

However, not in autos which was the chapter that Sue Helper and I were assigned to look at Trump has imposed 25% auto tariffs. And this is under section 232 of the Trade Act of 1960, 1962. These are unaffected by the Supreme Court ruling. There's a lot of court jurisprudence over the years that suggests these are on very solid legal footing assuming that there's no radical procedural missteps, which of course we can't discount in this climate.

But, it doesn't, I don't think that you're gonna have five or six votes on the Supreme Court for ruling that Trump using trade authorities to do trade stuff is illegal. I think that, what we saw is an odd confluence of a, bloc of conservative justices that were willing to expand the major questions doctrine to MAGA priorities instead of just applying them to Biden and Democratic priorities. And then you had a liberal bloc that just was being very statutory in terms of, like, IEEPA doesn't include tariffs, so I don't know that you're gonna have five or six votes for for overruling, say section 232.

So what does that mean for the auto sector? I think it's really important to emphasize that we're at a critical juncture. In the auto sector I think some of the more kind of incremental reforms that seemed like the right path in 2019 we're in a very different climate. Just since the, these negotiations have been happening since Trump one, we now have a radically different reality of a of a Chinese export machine when it comes to electric vehicles and ice vehicles as well that can supply easily most of the world's demand.

That is a very different climate than when the original USMCA and indeed the original NAFTA negotiations happened. As I mentioned, we have this reality of elevated tariffs

outside of North America that, that allow, I think, a little bit more breathing room for thinking ambitiously about how to use the USMCA in creative ways to, to boost the auto sector. And I have, we listed in the chapter a few different ideas there. I think that there's a necessity at this point to have more greater mirroring and coordination of some of these sectoral tariffs. I think there's a necessity to figure out what the climate strategy is, and the decarbonization strategy is for the auto sector.

This is, the auto sector is the most traded of all the industries in North America. It's a vital lifeline for all sorts of other industries in all three countries, from steel to semiconductors on down. This is a really, it's a really important sector, and I think we have to remember that, this is, we've been here before in the sense of, autos are treated, whether we acknowledge it consistently or not, as a too big to fail critical industry for North America.

We saw that with the Reagan administration, or rather the Carter administration and the Chrysler bailout. We saw that in 2009, 2010 with the Obama bailout of GM and of Chrysler. We saw it with with Biden imposing a hundred percent tariffs on electric vehicles, basically saying that, this sector, we cannot allow this sector to fail, which means there cannot be any Chinese imports at all until we figure out a sectorial strategy. And of course now with the 25% tariffs that Trump is imposing.

And I think that, at some point, the U.S. taxpayer and as academics and analysts, we also have to ask what are we getting for that? What is the U.S. taxpayer and consumer getting for that amount of support? And so I think, asking more of the auto sector, improving its technology, becoming globally competitive, ensuring that workers are treated well, these are all things that need to be on the table, both domestically and in the international negotiations.

And then I think, but that gets to the last point that I'll make here, which is that, trade policy, as important as it is, and it's very important for the auto sector, it's very important for North America. It can't make up for an inadequate domestic policy platform and agenda.

And what do I mean here? It's one of the biggest self-owns in the history of U.S. policy that we got rid of some of the Inflation Reduction Act subsidies for electric vehicles. This is vitally important to send the demand signal to this industry that it needs to decarbonize if it stands a chance of competing with China and we got rid of those in the One Big Beautiful Bill Act. Those need to be reinstated. They need to be mirrored by Canada and Mexico so that we can collectively transition this vitally important industry into the 21st century.

And we also, there's a lot that you can do. I think, there's chapters in the report on improving the rapid response mechanism and the labor rights. I think Barry and I agree that it would be great to see this move to not just bilateral US on Mexico, Canada on Mexico, but have it be a truly three-way mechanism that supports workers in all three economies. I, I think that's that's really important.

And I think, one of the top things that the US could be doing and we show in the report that while Clinton, when Clinton signed NAFTA, he said that, auto employment's gonna expand and Mexico-US wages are gonna converge. Neither one of those things happened, which is part of the reason that, NAFTA and USMCA have become a domestic political liability. The real story, as much as that story is important, the real story is deunionization over the course of the last several decades in the auto sector. Going from over 50% union density to now

less than 20%. A lot of that's, and that's in the U.S. So we're actually talking about a transition from unionized auto jobs, mostly in the north to non-unionized jobs in the south. That's something that the U.S. can correct on its own, using its own policy mechanisms with or without trade policy.

And so, I think looking at labor reforms like the Pro act like what are the problems with the Taft Hartley act, repealing that potentially, those are gonna do a lot more to ensure the livelihoods of U.S. auto workers than even the most ambitious trade agenda. So I'll stop there.

**SANDS:** Well, that's fan, that's fantastic. And thank you very much for bringing in some of the labor pieces because they're excellent chapters, and I did want to see those come to the fore. We're gonna come to all of you for questions. Just to give you a sense, we heard, thank you also for acknowledging our two outstanding research analysts, Maricarmen Barron Esper and Dozie Ezi-Ashi, who are here. They have microphones, so they'll move up and down the aisles and try to catch you so that whatever you ask is heard on the video and the recording as well.

While we're looking for hands up Todd, quick question for you. You mentioned Congress and President Trump initially negotiated USMCA under a grant of trade promotion authority that came from the Obama administration for TPP. And it was remarkably, back in 2015, a very restrictive set of guidelines for how the negotiations should go. Was that an early signal and do you think it will be a consistent theme now? 'cause you talked about the backlash of Congress really asserting themselves back into this space and wanting to have a bigger role in discussing trade policy USMCA and beyond.

**TUCKER:** I think it's tough. I think Congress often are argues that it wants to have more influence, but then doesn't manage to solve the collective action problem to, or in order to effectively assert influence. So, I think that what we've seen over the years is that trade promotion authority is a nice to have, but not a need to have.

If you have the political support in Congress, you can get almost anything through. And so it's convenient, but it's also at, really at the discretion of Congress to remove it. As we saw when Nancy Pelosi kind of unilaterally removed it over the Colombia Free Trade Agreement, for those of you that have followed trade for long enough to remember that ancient history. But but I think it is an indication that, it really, the pol getting the politics right matters a lot more than getting the procedure right. And so, I think the real question is, after all of this year of trade chaos, is there gonna be the desire either in the Republican or the Democratic Party to provide sufficient votes to to get USMCA or for that matter, any other trade policy over the finish line.

I think both parties are really internally divided right now. One of the, one of the kind of funny moments of the State of the Union speech, for those of you that watched it, I think it was the longest in history, two hours, the was when Trump said that he didn't need to come back to Congress in order to do some of his trade policy. And you saw Speaker Johnson just light up. He was so happy at that moment that this was not gonna have to be his problem because he knows that within his caucus, there's not a uniform view on on pre MAGA trade, post MAGA trade. There's a lot of difference of opinion. So I think that, into that, into the vacuum, that Congress has left, it leaves a lot of, not only do we have all these executive authorities that Trump can use, but practically in the vacuum that Congress is leaving, he has the ability to really set the agenda.

So I think that we're gonna see that for the next while.

**SANDS:** Barry, you had a hot pursuit comment there.

**APPLETON:** Just a tiny point and is one of the last points that Todd raised and that is it is challenging for the president to be able to change the USMCA 'cause we have a scheduled review.

And the question about the review is, if you change the agreements, you have to go back to Congress, right? He had authority to be able to get the USMCA in the first place. What authority does the president have now to make the changes? So the president's been engaged in that large number of framework agreements, and these agreements have all been done by executive authority and the president keeps saying, I want to make trade policy without going to Congress. But Congress is deeply involved in this, right? That's what we saw from the Supreme Court. It was a recognition of the balance of powers, right?

So the question foundationally is if the USMCA review, which was designed foundationally to make little tweaks, right? It wasn't designed to be a major renegotiation, which I suspect it may very well be. What authority does the administration have and what will this the rule be of Congress to be able to deal with that?

And that is a significant issue structurally is a significant issue that's important in terms of democracy in the United States and for certainty for the trade partners. We have all of these pieces and that's a real big unknown. The other thing I want to add is when the president canceled the trade agreement with India in 2019, in the last term, he should have gone to Congress to be able to do that. He didn't. That's still, that trade agreement still is dead. So you actually can do a lot when you're the president and until you get it through the court or until you get it challenged, you get your way. And so we have a lot of issues, including the ability under the USMCA, whether it's an, it's Article 34, there's two different ways you can deal with it to be able to actually terminate rather than just have a review.

But all of that creates uncertainty. And I think each of the speakers today have focused on the need for certainty. What we're looking for is more certainty for markets, for investment, for planning and approaches. And that's one of the key things that Brookings has been focusing on. What are the benefits of certainty?

How do we measure certainty? How do we look at that? Whether it's gonna be a supply chains or it's gonna be an agriculture, it's going to be an auto trade, it's gonna be an ai, we're looking at those pieces. And that is what we really need to be thinking about going forward as well as everything else.

So, sorry, just--

**SANDS:** No, fantastic. And Kari, I'm gonna say I know there are some members of Congress and the Senate who are interested in trade policy, but there are a lot more that are interested in farm policy. How do you get a sense of where the U.S. sort of Congress is on the interplay between what they're trying to do with farm policy, domestic support, and what the USMCA is trying to do in the ag sector?

Is there a tension there?

**HEERMAN:** I think there's a very broad tension between the sort of increasing focus in international trade conversations about vulnerability from import competition. And our long term position as a global exporter and a competitive exporter. And I think the interplay with sort of the geopolitical strategic interaction with the agricultural markets is also of interest.

So I think I think farmers are interested in continuing to have a market available to them and to operate according to what markets are telling them. Policy does not always allow that to be the case. A lot of what we are doing in the reciprocal agreements that you've talked about, I haven't heard rumors about this in USMCA, but maybe I'm just a dope of this sort of like requirements to purchase agricultural commodities.

Some of these are not market based things and they aren't certain because what upholds these commitments is unclear. And so I think the broader shift is towards we wanna be working in markets. We understand the vagaries of them, we understand the uncertainty that comes with that, but the sort of insertion of the geopolitical angle is a hard one.

And I think as far as farm policy go, goes, it seems like the response is, well, we will compensate you for the instability that our broader strategic objectives are are causing. And the value of that and the ability to sustain that is in question and it doesn't cover the entire agricultural sector.

It covers the powerful interests and it doesn't cover the other sectors that are also affected as well. So I think I think there are a whole lot of balls of tension in there, but yeah, you're right. It is it can be a conflict because you still do see this is our a powerful export interest and and a vital and vibrant industry that we don't wanna diminish.

And we see that it has opportunities from this kind of integration, but it also does face certain vulnerabilities. And keeping that going is a challenge.

**SANDS:** Especially going into the 2026 midterm election. It's very good to keep this in mind. Alright, now over to you, the audience for some questions.

And we have a question in what the third row over on this side and.

**APPLETON:** [inaudible]

**SANDS:** This, sorry, raise your hand again there. So we can find you. Then we have another question from the gentleman to that.

**AUDIENCE QUESTION:** Hi Murray from Charles Hopkins, se a student of Professor Sands. We wanna ask a question about security versus efficiency.

Does the upcoming review signal that the USMCA is shifting from a trade agreement focused on increasing efficiency to geopolitical tool that focused on security? And by systematically de-risking from Chinese products and Chinese supply chains, how can the North Americans address the laws of comparative advantage and the long term inflationary costs to the consumers? And can we afford that?

**SANDS:** I didn't plant him in the audience. It's great to see you Murray. But that's a tough question. Does anyone want to field that? You talked a little bit about the China factor, Todd.

**TUCKER:** I think we've seen over the last few years the securitization of all trade policy, right? If you look at the, some of the more interesting provisions of the agreements on reciprocal trade it's about, getting other countries to mirror what the U.S. is doing when it comes to China and national security.

And that's been controversial in some of the countries that, that have signed on to those agreements that do view it as, reasonably as an affront to their sovereignty. But, that's what's they're agreeing to is the price of a little bit more certainty as it relates to Trump's tariffs?

I think that the, the USMCA renegotiation, all three, as I mentioned, the auto sector is a huge sector for all three countries really vitally important. There's a similar threat that all of them face from low price Chinese competition. Just yesterday we were seeing a BYD, this sort of the big Chinese electric vehicle maker is having all sorts of problems because like the prices keep plummeting in their sector and they're needing to offload as much as they can globally.

But then that's creating problems because Europe and U.S. and other countries are trying to guard against some of that over capacity. So, I think that we're, the us, the North American auto industry is at a pivot moment where they need to decide what their overall approach is gonna be on China.

Is it gonna be Fortress North America where we agree to a common set of standards to basically keep Chinese autos out? Or is it, as the other thing that sometimes Trump seems to want to do, which is allow them in, but negotiate a deal, right? So, what is gonna be the North American both policymaker and industry perspective on putting some conditions and guardrails on Chinese FDI into the, into the U.S. and into the North American economy.

That's something where the, Carney's a little bit ahead of us on thinking on that. And the Canadian policymakers are thinking through what they might get out of sort of Chinese FDI in Canada. I think, with Trump could easily end up where Carney is before too long despite all of the bellicose rhetoric. So, that'll be a space that we'll definitely be watching.

**APPLETON:** Yep. I wanna take the first part of your question. And it's something I addressed in the chapter about dispute resolution. The one area that I might have a little bit of a difference with Todd on is that I'd say that the USMCA was designed always as a precursor to look to position and force and leverage.

And the reason I say that is that right after the end of the Trump's first term, Jared Kushner, we all know who Jared Kushner is because of his recent things that he's been involved with. But he was a senior White House advisor. He did an exit interview in essence, an op-ed with CNBC, and he talked about the negotiation architecture of the USMCA. And he said it was designed like we would do a real estate deal. So it was designed to have a new building. We wanna lease it all up first, and then when we do these renegotiations, that's why they set it in six years, whoever has the biggest amount of economic power, we'll be able to lever the other folks. And we could escalate, in essence, the rents. We can extract, he used the word extractive. And the goal of the USMCA was designed to be extractive. And we are at the extraction point, we're at that point right now. So it was always designed in a way.

Now I don't think that they thought that they were gonna be in government 'cause they thought they were gonna win the next term, right? So they didn't think they would be there. So that a surprise 45 to 47. Right? But at the end of the day, they're following on their strategy. And sometimes what we do is we underestimate that when the president says something, he's actually gonna do it. Okay. We have in game theory, we have Bayesian analysis and we can do various things, but we don't actually weight it properly to actually deal with the fact that sometimes he actually does what he says he's gonna do. And that was a very good example.

So the strategic issues have now become even clearer. We now see that through the use of economic sanctions, through the use of directed economic policy, whether it's buying in terms of ag, whether it's buying in terms or forced investment in Japan, for example, the Japanese side of their deal, wherever it's gonna be, we're seeing those tools being used again and again.

And that means that it becomes more difficult on dispute resolution because that's the opposite of what you deal with. But dispute resolution gets you though to settlement. Another way of dispute resolution. It's another mechanism. And so one of the things you have to do is adjust your strategy to deal with that difference.

But that really to, in my mind, is the first part of your question. Is it what we're looking at is what things were designed to be. We just, nobody ever expected that's actually the way it would work. It just is what it is. And we are where we are.

**HEERMAN:** If I could just add a little bit, just to bring us back again to right, a little bit because I think this is a really interesting turn of events. This sort of increased focus on security and vulnerability. I think the experience of COVID disruptions has a lot to do with that. The experience of using export controls and critical minerals has a lot to do with that. So there are, there is a, some real underlying changes that, that are causing trade policy leaders to think a little bit more, shifting the balance towards security and vulnerability and a little bit away from opportunity.

I think we could find a better balance than we have. But nonetheless, when we're thinking about how to shift towards that security vulnerability framing, I liked us to keep analytically at least clear in our mind the difference between true national security threats. Like we if we don't have, China has a monopoly on something and if we don't have access, we cannot protect ourselves. We cannot protect our public health. Those kind of things.

And the fundamental undermining of the benefits of global integration, that, that come from the way that China does state directed industrial policy, I mean that it's not competition when a country is strategically investing in sectors in order to gain market power.

So we have to figure out a way to remain, in my view, it would be better if we could find a way to remain to maintain competition, that very force that creates the benefits that we see in innovation and the gains from trade without having to accept the kind of fundamental imbalances that come from that kind of state-directed industrial policy.

And now this leads back to what we've been talking is maybe we have to do a little bit industrial policy ourselves. We've always done it in agriculture. The transparency, the

magnitude the negotiating to reduce spillovers to be able to resolve disputes. That is what, that's part of the process in, in that.

**SANDS:** Excellent. We have a question for the gentleman of the fifth row and then this young lady in the third row. Counting rows, somebody has to do it, and then there's a gentleman down there to that side. Two steps back. Yes. Sorry.

**AUDIENCE QUESTION:** Thank you so much.

**SANDS:** Thank you.

**AUDIENCE QUESTION:** Hi. I wanted to touch on critical minerals because you guys have all mentioned that, and especially that's especially important nowadays with obviously the auto industry and then electronics and just in general for our economy.

The United States, China obviously has a monopoly when it comes to critical minerals. Like they flood the market, and they have just dominance in that industry right now. I'm curious with when it comes to the USMCA and also the review, how can USMCA in its review help improve the United States slash the North American critical mineral development and production? Because obviously you are seeing some development, like you have Mountain Pass out in California that is, that's one, that's the prominent factory, but it's not making as much progress. And just because of how, just how important it is, what what, where do you see that going with critical minerals in the next, in the short term and then the medium term? So like five to 10 years?

**SANDS:** Tough question. Yeah, very.

**APPLETON:** Listen, lemme jump in. So first of all, on critical minerals, Canada is not a country without leverage. It's just, it's a country that has refused to use it. And critical minerals are exactly the issue. The ring of fire, right by the U.S. border has enough capacity and opportunity to supply most of America's needs, okay.

But Canada hasn't held back. They've actually made it clear that they're happy to work with the United States on something like that to create better opportunities and opportunities for North America and the world. Right? That's a very good example of where it's going to be. But, and there's some very good work here at Brookings on critical minerals. So I think that's really a key issue.

The way to move to that. It is the type of stuff we've been talking about for years. Building a non-zero sum game, building together to be able to get to that. But even in a world where we're focused on interest rather than working on building the pie, it's still in America's interest to be able to deal with that. But it's also in Canada's interest to figure out how to negotiate with that in the right way, which in my mind, they haven't done yet. Okay. So there's an opportunity, but that's a really good example because you're looking at the issue of non-market economies that have cornered the world with respect to critical minerals and the ability for market economies to try to get in there.

But I don't think the answer is Greenland. Okay. That's really far out. Okay. I think the answer is what happens to be right there and how you can deal with that type of issue. But

that's a really good example of where we could cooperate. That would have tremendous impacts, beneficial ones for the auto sector on a continental basis.

It would have tremendous opportunity to build production and investment in Canada and in the United States. And it would be good for Mexico too. It's a win. So those are, the questions are why aren't we doing that? And that would be the real thing.

Now I do note that I believe it's secretary of commerce has a consultation out on critical minerals. It finishes on the 19th of March, and I encourage everybody in the audience to be put something in on that because it's really going to be one of the key areas of industrial policy and thinking for the United States going forward.

**HEERMAN:** That's right. And it is USTR, not the commerce.

**APPLETON:** Sorry. Thank you.

**HEERMAN:** And I also encourage everybody to look at the Federal Register notice on that, because this is one area where I think the administration has moved forward with building a cooperative approach to building some resilience and critical minerals. This is something that, over my last decade in the U.S., in government we've been trying to contend with. And it's a big challenge in part because this way of coordinating across countries, there aren't built in mechanisms to do it. So figuring out who talks to whom and what the approach should be and whose interest is gonna win out, and the mix of leverage versus the common interest is going back and forth. And that has been a really big challenge.

But there is as you said, a federal register notice out calling for public comment on a collaborative approach to building a critical minerals alternative market. And what that would take, and I would encourage you guys to all read it, I don't know that USMCA itself is a material element to that.

One of the big lessons is--

**APPLETON:** I think it is.

**HEERMAN:** I'd love to hear that, but

**APPLETON:** I think it'll go away.

**HEERMAN:** I think this is, it's just it's not a, something that can be done at a unilateral level. It's not something that can be fundamentally resolved at a North American level. But it is something that is global.

**SANDS:** And I'll just add on that because many people don't know, but whether you're American or not American, you can file a comment and it's a very open process. Can't say you'll get listened to, but it's a very open process.

**APPLETON:** No. I encourage you to, Hey, listen. Now look I'm an American and a Canadian, and I testified to the USTR on the USMCA review.

And I then filed responsive comments because only the people who testify can file a responsive comment. And I went through the 1400 pages of testimony and filed a responsive comment, which I published and is public. The process here in the United States is public, so everybody can have access to that. And I think that's really important. So I encourage everybody, if you have an interest, you should be involved.

And just to that one point that Kari was saying, yes, this is a global question for sure, but I also see this deeply as a North America question, and it's part of the U.S. national security strategy. It's right in there, so it fits all the boxes. So I'm really glad you asked the question. Thank you. And it's really something that we need to keep in our minds going forward.

**TUCKER:** Yeah. Just to, to piggyback, I think that this is one of the areas from a research perspective that is most interesting in terms of the types of policy experimentation that are happening.

We now have a handful of different models from different administrations about how to tackle this problem. We had, with Biden, we had this consum, electric vehicle consumer subsidy that gave a benefit to critical minerals and batteries that came from North America or from FTA partners.

If this were the 1990s or 2000s, we would not be talking about the Supreme Court decision. We'd be talking about the World Trade Organization ruling from a few weeks ago against Biden's Biden's industrial policy subsidies and local content requirements. Because we're at where we are with the global economy, no one even noticed this. No one talks about it, but it was consequential.

Now with Trump, we have this different model, right? You mentioned MP materials, Mountain Pass, they're doing a kind of all of the above industrial policy. They're doing equity stakes, they're doing price supports. They're doing a lot of the stuff that we've seen in the agriculture sector before. I think give it a few years and we're gonna know which of these different mechanisms is most effective at ensuring stability in that market.

**SANDS:** Absolutely. The young lady in the third row yes. Sorry Maricarmen, we're making you run back and forth. Well done.

**AUDIENCE QUESTION:** Thank you so much. Thanks everyone, it's been super interesting. Lucia Bustamente, I work for Shell. I work both in the energy industry and Mexico, and now energy industry here in the us. So I've seen it all Right. I might be overly pessimistic because I think USMCA starts needing a resuscitation process, right? It starts, I think, on the back foot just because of all the issues that every country has gone through with their domestic policy and just completely ignoring some of the rules in USMCA energy, of course, is a big one that I was very focused on in Mexico.

The way that Mexico decided to just completely override energy reform and those things that were placed in USMCA to protect energy reform were completely ignored. Right. And even though the Biden administration didn't choose to proceed with a consultation process, it's still in the works somewhere. I feel like I don't know what we're talking about anymore. Right. It's gonna be a very windy path going forward. So wondering if you have any reflections. Thank you.

**SANDS:** I turn to you, panel.

**APPLETON:** I've got something. I just down in Mexico talking with the Mexican bar and some of the Mexican officials and the Canadian trade officials when I was down there.

I expected, just in general, I'm gonna wax philosophical just for a moment. I expected that the Mexican government would have been the toughest, most vociferous government to fight against what was going on. And they have reacted with great composure. And the Canadian government has reacted talking about values and focus. And they pay the price, right? The Mexicans have a better deal right now than the Canadians. Canadians are focused on value because foundationally, values without strategy are sentiment and sentiment doesn't pay the mortgage. Sentiment doesn't deal with our problem that the Canadians have with the 232 tariffs.

That doesn't help you if you're in steel or aluminum or in lumber or in the auto sector, right? That doesn't do that. So you have to change your approach 'cause the game has changed. So it's not that I'm pessimistic or optimistic, I'm realistic. And the realistic bit is that if you understand that the game has a lot more now about coming to issues and positions rather than talking about what's right, rather than the WTO model about whether it's right or wrong.

We're not, that discussion isn't taking place. It's not that the WTO is not there. WTO is certainly there. The dispute resolution provisions and the chapter in the USMCA is still there. It's simply that the discussion now is much more for certainty for everybody, and certainty requires a change of strategy across the board.

The Mexicans I think, understand that it's been very hard for them, but they understand that. I believe the Canadians are starting to understand that. I think that you've seen a change in their approach because the costs are so great and the administration here, I think we'll see value from being able to work things through.

But I don't know that will happen. And that's the imponderable part. If Congress was involved, there might be more value rather than just position. If Congress is not involved, there might be just all position. We don't know. That's what makes us also interesting.

**SANDS:** Kari.

**HEERMAN:** It's gonna be a winding road. I think for many of the reasons that Todd talked about earlier, and which Barry just outlined, we want certainty, but we're not certain what we want to be certain about. And Congress is, there's tensions within parties and across parties on what the objectives of our trade policy should be.

We, went by the textbook. Like we want efficiency. That's pretty easy to understand, especially for me 'cause I studied economics. I understand that the models work and all of the things informing this come from economic theory. They don't come from politics, they don't come from geopolitics, they don't come from, climate change, none of these complicating factors.

You got the answer right there. But if that's not our overriding, we can accept that. We understand the world isn't just efficiency, but we can accept some of those inefficiencies

around it. Our direction still is this textbook formulation. We're not living in that world anymore, but we don't quite know where we want the weights on those other things to be.

We just know they need to be there. And so we're lurching back and forth on where those weights and what's important is, and that I don't, I wish I saw that disappearing soon, but I don't.

**SANDS:** Fair enough. We are very close to the end of time. Dozie, can you get the question from the gentleman's there? I can just see him. Our last one is speed round questions, so a short question, short answer.

**AUDIENCE QUESTION:** Thanks Chris, and congratulations on the Forward 2026. It's a fantastic program.

Todd, real quick on the auto sector. My name is James Roland. I've spent my career in the auto sector now run a policy advisory firm. Given that auto has been such a focus of the administration and opposing the 15% threshold now on Japan, Korea, and Europe automakers, what is your assessment of getting back to zeros and distinguishing the Canadian and and Mexican auto sectors as inside North America versus competitors to the United States?

**TUCKER:** I think that's, it's a vital question. I, as I mentioned, overall, North America, Canada and Mexico are still the places of choice to export to the U.S. market, given that it can be 0% unlike much of the rest of the world. However, there is that big asterisk on autos and now there's even a double asterisk because of the agreements on reciprocal trade, which as you note, are now giving potentially this a leg up to non-North American content and production in the North American market. That's something we get into in the piece, Sue, Helper and I do, about the need to address that and make sure that there, first of all, that there's some of the standards that we're imposing under the USMCA on producers in this region.

We should have some similar ones in the agreements on reciprocal trade when it comes to rules of origin, labor issues. And then we also need to make sure that there still is a margin of advantage relative to some of those other agreements for the North American market, given how important it is to all three countries.

**SANDS:** Absolutely. Well, what we're gonna do next is we're gonna move to our second panel, which includes a lot of business perspectives. You've heard from the research, how do we apply it, where are we going? And we'll have perspectives from Canada, the United States, and Mexico. So largely American panel, Barry is half half and half, but still--

**APPLETON:** Guilty as charged.

**SANDS:** --but he pays his American taxes, so we'll be happy to have him here.

But before we switch to the next panel, please join me in thanking this outstanding group of experts.

**[speakers cross-talking]:** Thank you. Really good. Fabulous. Thank you very much, you guys were great.

**SANDS:** Ladies and gentlemen. Thank you very much. One of the things I've learned about Brookings is there are a lot of places that are all talk, no action. Here, the talk is the action, and we don't take breaks. We're gonna go right into the next panel. As advertised, this is a panel on some of the business perspectives, and we're really gonna delve into how the private sector is approaching the review, what they're thinking about the review. And we're gonna get a full throated Canadian and Mexican perspective on the on the review process so far.

Let me introduce our panel to you briefly. Many of them will be known to you already. They're, they've been gracing booking stages for many years, but we have to, my immediate left Nasim Fussell, who is vice president for trade and international at the Business Roundtable here in the United States. We have Matt Holmes, who is a, who is the executive vice president in international for international and chief of public policy at the Canadian Chamber of Commerce. And finally we have Juan Cortina who is the vice president for Mexico's Business Coordinating Council, which is a very important, I think we say CCE in Spanish, but a very important association of Mexicans leading companies. So with, we have an all star cast. I don't wanna take a minute away from them. Let me turn to you, Nasim, to start us off.

**FUSSELL:** Thank you, Chris, and thank you to Brookings. Congratulations on the launch of another successful report and for your focus on an issue that is incredibly important to the US business community. Business Roundtable is an association of over 200 of the leading American CEOs of American companies. And USMCA is something that is incredibly important to American businesses. Business Roundtable was very much in support of USMCA as it was coming together six years ago. Hard to believe it was six years ago. And here we are upon our first review. And this review be being successful being timely done is one of business roundtable's top priorities right now.

This, from the Business Roundtable perspective has been a success for the United States, for the North American economy. Just a few top line numbers to illustrate that trade since USMCA went into effect, trade supports between our three countries supports 13 million U.S. jobs. Since USMCA went into effect, \$775 billion have been invested into the United States. We have, among the three countries, \$1.9 trillion in total trade. This is in goods and services. And Canada and Mexico are the top export markets for U.S. manufactured and agricultural goods. So I think the data speaks for itself. This has been a success for U.S. business, for U.S. Agriculture, for U.S. Service providers.

Now, of course as with anything there is always room for improvement. There were some really key novel developments in the USMCA upon NAFTA, and we've only had six years, right? We've only been at it for six years.

I think what is particularly novel there were quite a few new provisions and novel mechanisms, but the most novel I would argue is this review. It's the first of its kind in any trade agreement. And so we are here now. I think this was for the business community, even members of Congress, I was actually a staffer in Congress as USMCA was being negotiated, I will admit initially there were question marks and concerns hesitations about whether there would constantly be a sense of uncertainty within the agreement as a result of

this re review happening every six years. But we are here now. It is a part of the agreement and we are seeing that it is also an opportunity, right.

I think one of the questions earlier was about whether. Energy, for example had played out as expected. This was an area where there were some new strong provisions in the USMCA, but due to some domestic politics in Mexico, it hasn't quite gone as we had hoped. There are a number of other areas as well.

Business Roundtable submitted last fall to the USTR consultation. Approximately 30 pages both in support of USMCA unqualified absolute support for USMCA and a strong emphasis on the fact that this needs to be extended. But we offered improvements as well. We identified the areas where it was either a lack of compliance by Canada or Mexico, or an area where we saw an opportunity to further strengthen.

Two areas I'll just mention. I'm sure we're gonna get into it further, but to wrap up my opening remarks there as a result of just modernization and an area of rapidly evolving growth is technology, right? This was a key novel area in USMCA upon NAFTA, and the technology continues to evolve rapidly.

So this is an opportunity to look at whether there are areas that we can further improve. Just as one example. Then I would also note, economic security. This is something that, was discussed in the prior panel, has been a new and novel provision in some of the reciprocal trade agreements that have already been concluded by USTR and something that is clearly going to be looked at closely in the USMCA review. So we see that as an opportunity as well.

So I'll stop there.

**SANDS:** We'll be back to you.

**FUSSELL:** Yes. '

**SANDS:** cause this is all very good stuff. Over to you, Matt.

**HOLMES:** I'll try to be brief in my intro to, to leave time for discussion, but I really agree with what Nasim just laid out here.

The Canadian Chamber of Commerce, briefly, is a is a large and diverse membership. We have about 400 chambers of commerce and boards of trade and communities and provinces across the country. So every jurisdiction of the country is represented. We have about 130 different sectoral associations, so the verticals and the ecosystems of various parts of the economy. And then we have corporate members as well. And so we're all parts of the country, all scales of business, all sectors of the economy.

And we have been, you, I think you said full throated. We have been fully supportive of NAFTA and then the development towards CUSMA or USMCA. We like, I think with the Mexicans, we like the acronyms and the Americans like the initialisms. So, so, we'll see, we'll say USMCA today.

There's been an asymmetrical element that I think we're all aware of to this agreement. Obviously, and I think both Canada and Mexico have focused on the bilateral relationship with the United States. We saw two weeks ago the largest trade mission to Mexico from Canada that we've ever had. And that's an important marker, I think to signal that. Mexico is Canada's third largest market, but when you stand back and look at what that means, it's maybe 3.6% of our trade, 1% of our exports. So it's a, it's an area we've really neglected.

**CORTINA:** Yeah.

**HOLMES:** A relationship we've neglected and this agreement that we have gives that potential for us to do more there.

The FDI, just turning now back to the Canada us, we're each other's largest investors. There is an incredibly integrated element to our economy, to our supply chains, to travel and tourism to entire value chains of the economy. We've, the first panel discussed agrifood as well. Incredible reliance and mutual reliance there that I think provides the ground to grow.

The, the shifts that we're seeing in Canada, and I'm happy to unpack those and maybe try to translate some of what you're seeing or trying to understand from the Canadian perspective over the next 45 minutes. But we are seeking leverage through optionality right now. There is a concerted effort to look at diversification of markets to look at where are some of those key levers that were mentioned in the first panel, like critical minerals and provide ourselves the most optionality in terms of being able to negotiate forcefully at the table when that time comes.

When you look at the—and I'll just conclude here—when you look at the relationship, Canada's probably number one for 32 states, number one for 130 congressional districts. Number two for another 129 in the top five for 413 congressional districts. So this is, we often talk in the aggregate, we talk in the general, but this is local business.

These are local jobs, these are local services. And these are local investments that are coming into the United States and to Canada and to Mexico. And that is a powerful. Reminder that we want to make here and that we're making in our meetings throughout the U.S. at the subnational level and through our network of chambers of commerce is to say this is about local jobs, it's about local value chains, supply chains.

**SANDS:** It gives me an opportunity to plug our excellent work at Brookings. We've developed state by state fact sheets very similar to what Canada developed to really look at trade investment employment. And I hope that they'll be better known and we'll be sending them out aggressively in the next few weeks just so people understand how this affects us.

**HOLMES:** Yeah.

**SANDS:** Although as American, we always think it's about us. It's not always. And so that's why I'm gonna turn to Juan Cortina to tell us a little bit about the Mexican perspective.

**CORTINA:** Thank you, Christopher. And thanks Brookings for organizing this and putting forward this important study.

And I would like to start by, explaining a little bit about CCE so everybody knows this is the umbrella organization for the whole Mexican private sector. And obviously we're being very active in defending USMCA given its importance that we've seen, how it has built the North American economy over the last 30 years. And I think, it's fair to say that there's been some skepticism, not only for the agreement for but for trade overall recently.

And I think that's why it's so important to defend it. Let me start by saying, going to what Nasim had mentioned, that this has strengthened the supply chains over North America over the last 30 years. It's not only the last six years since USMCA has been enforced. And Mexico has become, as Nasim was saying, the most single important market for U.S. And if you look across industries or across being Mexico, the largest buyer of certain sectors like steel, aluminum, grains, and other stuff, that's why 13 million jobs in the US are supported by the agreement across what's being done in the U.S. and Canada.

And if you go into figures, for example, something that was very eyeopening to me is that Mexico, if you take the per capita buying that we do in Mexico from U.S. goods, it's close to \$2,500. If you take, excluding Canada, if you take the other 10 largest trading partners of the US, they buy close to \$15 per capita. So there you see the integration that has happened and obviously the car sector that's been hit by the 232s shows how integrated this market has become. And nowadays, I think Mexico buys.

Eight times in auto parts what Japan or Germany does from the us. And I guess moving forward, we need to also address the fact that it was mentioned in the panel earlier how complementary in nature the agreement is. And it's not only in agriculture where we see, obviously it was mentioned grains flowing south and produce flowing north. But the term of food security I think is very important in this changing world. And that's something that we need to underscore. Also energy self-sufficiency in the three countries in this very volatile world. I think it's also very important.

And another data point that I think it's interesting is that 59% of all Mexican exports to the U.S. are intermediate goods that are used in the U.S. for industrial production. For example, you go into an example of Caterpillar and how important for the competitiveness for Caterpillar worldwide is what they buy in Mexico and what they manufacture in intermediate stuff in Mexico, you see how important this trade agreement is.

For us at CCE, obviously the, we hope this review process is done quickly. We think it's important to have certainty. To be able to do the investments that are needed to be done to continue to make it stronger to depend less in non-market economies like we're doing right now. And in that sense, I think there's two things that I wanted to highlight this morning.

First of all we're asking that 232 should be zero tariffs, and I think that's an important discussion that needs to happen. And in that sense, I guess if there's obviously a chapter that needs to be opened up and how we strengthen rules of origin, I think that would be, I think, constructive. But we also need to realize that we need to be careful given that there's some things that we don't produce and there needs to be a transitional period, and there needs to be, strategic alignment between the three countries on how we're going to move forward to that.

And at the end of the day it wouldn't surprise me that we end up having more of a common tariff policy that would make sense in terms of what we're trying to build in North America.

And the second thing is that I think it should keep being a trilateral agreement, and I think that's part of the strength of North America. And, we need the three countries being together and that I'll stop at that.

**SANDS:** Very important final point, because I know we saw in the first negotiation or renegotiation of NAFTA that led to USMCA, there was really a, an active discourse about Canada being thrown under the bus, Mexico being thrown under the bus, I guess the U.S. was driving the bus, but--

**HOLMES:** Is the bus.

**SANDS:** It's, but but I think that's a very important point to end on. Let me let me tease out a little bit from all of you, some of just with some opening questions. Nasim, I think you rightly focused on Congress. We heard about Congress in the last panel. Do you get a sense that the U.S. Congress is interested in asserting in this space being more involved in trade policy from your meetings on the hill, or is this going to remain for, at least for the time being a very executive driven process?

**FUSSELL:** I'll speak to just USMCA specifically. 'Cause trade policy broadly is a whole nother can of worms right now.

**SANDS:** Yeah, sure, we don't have enough time, yes.

**FUSSELL:** But on Congress's interest, we have been spending a lot of time on the Hill sharing our support for USMCA and all we hear, bipartisan support for USMCA when we are up there having these discussions it really is, it's quite overwhelming. And it's not surprising. This was one of the most historically bipartisan votes in the United States Congress. For a trade agreement and certainly in, in modern trade policy era. So, that you still sense that when you have discussions with members which is great.

There are members who are very close to the president who can pick up the phone and call him and share with him the importance of USMCA to their district, to their state. And based on the conversations that we've been having we don't have any doubts about whether those types of discussions would happen, if and when needed. And frankly, I wouldn't be surprised if they happen now, right? So that's all very positive.

The review was not set up to give Congress a vote on what is decided. There is nothing, neither in the agreement, nor in the U.S. statute implementing the agreement that says Congress has to vote on any changes that may occur through the review. That said, Congress is very engaged. There, there is consultation required with them. One significant step of that already happened in December when Ambassador Greer provided his report to the Senate Finance and House Ways and Means committees on the operation of USMCA.

At this juncture, he did not definitively state that we intend to extend the agreement in July. He said that actually there are some issues that would not—in other words, there wouldn't be a rubber stamp of the agreement to para, to paraphrase what he told the members. But he did identify areas that have worked well. He did identify areas that need to be improved. And I have heard from many members of Congress over the past couple of weeks and staff that Ambassador Greer has been very actively engaged in discussions with them since that meeting in December. So there is ongoing consultation happening, which is great.

So no vote to be expected, though I will say whatever may come of this review. I don't anticipate that there will be a congressional vote.

**SANDS:** I think that's important because certainly Ambassador Lighthizer was also very attentive to congressional input, and it provides a certain certainty for a process we've never done before, the review, that there is such consultation, but also public disclosure, which is a big part actually, of USMCA, but now in the fact of the review, there's a lot out there. It's not that mysterious, which I think is really important.

Matt if I could talk to you a little bit about the Canadian position. The prime minister has been looking at optionality, as you say. He's looking at other markets, but he, but Canada seems to be being almost hit harder than Mexico in, in, within North America with tariffs and so on. What's your feeling of the Canadian mood, the Canadian vibe on USMCA?

**HOLMES:** The mood is rather shocking. And it's even, it's generational. And by that in my entire lifetime, I have not seen the kind of negativity, the animus that is currently in play in the Canadian marketplace.

And if I were to go back to a year ago, March 4th the introduction of the first IEP tariffs when they really came into effect for Canada and Mexico walking through a grocery store, literally you would see these beautiful mounds of, romaine lettuces and those sorts of things with rock bottom prices we hadn't seen in ages, untouched. And then you'd have some limp kind of raggy thing from somewhere else at three times the price, that you couldn't even get a head of lettuce. People were scrambling and that, it's an extreme example, but it was profoundly throughout the marketplace. And so that was the initial sort of what was described as the elbows up, which is a hockey metaphor moment in Canada.

But that has actually, there's a through line that continues to this day. A major poll just came out to, in fact over the last week. And this is a concern for the business community. That about half of Canadians have now signaled in this poll to the government and to the public realm, that they are comfortable if USMCA were to fall apart.

**SANDS:** Wow.

**HOLMES:** Do they understand the full implication of that on their pocketbook? Absolutely not. And that's where the business community has a role to really help advocate for this. But it does give the government cover right now, and in a minority parliament, which is an important note here in a minority setting, the government needs to listen very closely to the vibe, to the tone from the electorate because they could fall at any moment. And it's what the electorate feels that is most important here.

And so we can get into the complacency of Canadian business over decades and decades and the fact that we've allowed ourselves to have really one primary customer, which is not a good scenario for any business, but the U.S.—and we have been adamant about this—will always be our number one customer and our neighbor, and we need to treat it thus.

And so we're in a, we're in a very delicate and complex place. The public mood is still one of distrust. And it has soured and we, and I can get into the numbers. We're starting to see that in a material way, in the trade flows, like in a shocking way, pre-NAFTA levels of trade. Now,

in terms of where the proportion of our exports are going. So it's within 18 months, a year, it's had a very sudden impact.

**SANDS:** Thank you for sharing that. And Juan, how is, how does that contrast with where Mexican business is? You described them as being, a bit more pragmatic in some ways and not expecting, flowers from the White House. But what's your sense of the mood?

**CORTINA:** Well, I would have to start by saying that I think the Mexican president has handled the situation very objectively over the past couple of years. And that has helped for this issue to not be politicized as much as in Canada. This issue of trade with the U.S. I think Mexico is quite a different country than when the original NAFTA was negotiated back in the late eighties, early nineties, where was this more confrontational relationship historical with the U.S. I don't think that's the case any longer.

We also need to recognize that the security and immigration issues have trumped commercial discussions more than anything over the past year and a half. And it's gonna probably going to continue to be that the case. And I don't see Mexicans, not happy about that focus being on that part of the situational piece in Mexico.

So I do think that it's better for us to get this thing resolved sooner rather than later. I agree with Nasim that probably we won't have a definitive vote in June, July. This thing probably is gonna extend a little bit more. And that's why I think as private sectors, we have a great responsibility to be able to come here to the U.S. and educate the general public in the three countries on why this is so important moving forward for the competitiveness of North America and, for what needs to be done.

**SANDS:** We're gonna turn now to questions from our audience. We again have the great Maricarmen Barron Esper and Dozie Ezi-Ashi here to bring a microphone forward, so don't be shy, now. Very important question to get a sense of where business is.

I'm gonna, I'm gonna while we're looking for hands to pop up, be brave, I'll I'll come back to all of you.

One of the questions I think was interesting going into this review was whether security considerations would—not economic security, but real physical security, border security and cooperation on things like fentanyl very important to the president and many people in three countries—was gonna find a home in a way that labor and environment, once in the outside, had been mainstreamed in USMCA, what's your sense of how security issues may play here. Do they have a role in USMCA? Will they be on the outside?

And if I could drill down on one particular question, de minimis, which is, has a big effect on our small and medium sized enterprises, do you see that being something that, that could be addressed within this context?

I'll start with you, Nasim.

**FUSSELL:** I'll start with the latter piece and maybe hand off the fentanyl question to my colleagues.

**HOLMES:** Thank you.

**FUSSELL:** You're welcome.

**SANDS:** She said the question not handing off the fentanyl. So,

**FUSSELL:** On the de minimis piece, there, there is a provision within the USMCA on de minimis. I have not actually heard this discussed among the various issues or raised so far publicly or otherwise, as far as whether it would be one of those issues that would be on the table for change. However given changes in the United States through IEEPA which were not affected by the recent court decision, and the fact that there is a provision on de minimis in the agreement, it wouldn't surprise me if that did arise in the discussions. That said, I haven't heard.

**SANDS:** Fair enough. After the president issued an executive order ending de minimis for the U.S., Matt, what's your sense of your members? How are they being affected by the change?

**HOLMES:** Well, I think it's the, what we call the policy cost or the administrative burden that is a hidden tax on business and it particularly hits small and medium enterprise. So, we're hearing about de minimis absolutely from our membership. They had become reliant and expectant on the sort of free flow of goods at a small scale for independent business to, to move through what is a digital economy now. And so I think part of the conversation around this is the digital chapter and how are we looking at digital trade and commerce and the commerce that comes from that and what's the relationship with de minimis?

But I agree with you that there are provisions within the agreement that we can use and mechanisms to address this. I think the larger concern around de minimis is likely from outside of the continent for the most part, right. And the origin of some of the other precursors and such that are of concern here.

What I've said on the fentanyl question is, the president was pretty clear in campaigning on this issue. Has a very clear mandate from the American public. And it's an issue that Canada is also struggling with at the community level. It is real and it is it is problematic and it's in the businesses interest, the business community's interest to see this addressed as well. So we are fully supportive of this.

Do we think that—and the numbers would not back up that Canada is a major origin source of fentanyl into the United States, that is just not true—but do we have more that we can do? Absolutely. And have we put a billion dollars into strengthening our borders and monitoring and addressing some of those concerns of the administration? Right away, we did. And so those are commitments we felt we were making to signal our goodwill and our intent to continue in the spirit of the agreement and cooperation.

Broader security question, we have to talk about the Arctic, Prime Minister Carney signaling to the president that he would like to engage not only on an economic conversation, but a continental security and economic security conversation. I think that's still ahead of us and I think that's still warranted.

**SANDS:** Excellent. Juan, this is obviously very difficult, organized crime and so on, but also the immigration question. How is Mexico handling the security dimension in, or maybe at arm's length from USMCA?

**CORTINA:** Well, lemme tell you, I don't think there's been greater cooperation the past 60 years than what we're having right now between Mexico and the U.S. on that issue.

And obviously border security, customs, there's a lot of areas that can be improved and both countries or the three countries can work much closely together. And which I think it's needed and the private sector concurs that. I think we're in the right course, in the right direction in what's been done right now.

Obviously there's a lot more to do. But if you see the recent statistics in fentanyl in the U.S., the different ones, there's been a great improvement over the past year and I think that's a testament on how well Mexico and the U.S. is working on that front. And hopefully this won't spill over on, onto the commercial side.

**SANDS:** Right.

**CORTINA:** And it's kept separate. That's most--

**SANDS:** But an area of strategic alignment, as you were saying.

**CORTINA:** Yeah.

**SANDS:** Alright. Question for the audience. We have one here. There's the microphone for you.

**AUDIENCE QUESTION:** Diana Negrofonte, formerly a negotiator in the dispute resolution back at NAFTA, which means I'm part of the older generation.

My question is for Matt. Matt, you are sharing with us a serious fear: Canadian withdrawal. What are the procedures by which this might take place?

**HOLMES:** I don't I don't believe that Canada would withdraw from this agreement. It's not in our interest. We're quite clear at the political arena and at the business arena that this is integral to our commitments and to our trade and to the wellbeing of our economy.

But the conflation in the public right now is what I was describing, that the political animus and the growing distrust that has emerged through this kind of wake up call, I think a lot of Canadians were asleep at the wheel earlier in terms of the economy, the wellbeing of our economy and how much we had come to rely on this agreement.

And so this sudden, what the prime ministers described as a rupture, has really made Canadians wake up, but they've conflated that moment and that sort of, why are they doing to this? Why did they just kick us in the shin? kind of feeling with the agreement itself. And so that's why in a recent poll, Canadians have signaled, oh, we're fine. We don't feel like it directly touches our day-to-day lives, and we're fine if the government walks away from the

table. That is not going to happen. That is not the intent of the government. The government has been very clear and the business community is absolutely unanimous on the need for this agreement to continue. So thank you for allowing me to clarify that.

**SANDS:** Excellent. Other questions, comments? There's a gentleman there. Yep. Yep. Thank you Dozie.

**AUDIENCE QUESTION:** Hi Gabriel Rubin. I'm a columnist at Reuters. I'm curious, there's been discussion about the differences in approach from the Hill and the White House.

I'm curious how you all view the sort of different power centers within the administration and whether a Bessent approach might be different than a Lutnick approach, which might be different than a Greer approach, which hopefully would be different than a Navarro approach. So I guess I'm curious who you think is really driving the bus that will hopefully not run you over.

**CORTINA:** We'll leave that to Naism.

**FUSSELL:** Thank you. Well, I'll say, as the agency tasked with the review, statutorily USTR is playing the leading role when it comes to the day-to-day and the specifics. But from where I sit in working with the U.S. business community our lesson has been that this entire administration is very hands-on when it comes to trade policy. Because of that, we have engaged broadly on trade policy, including on USMCA. I would advise that anybody who is an advocate for USMCA do the same. I think that there is certainly no harm in doing so. I think, the epicenter of what the changes might be and how those are negotiated is no doubt going to continue to be USTR.

But because we have 232 tariffs applying to Canadian and Mexican imports right now commerce is also playing a big role. So that's another important discussion. Juan mentioned earlier that the elimination of 232 tariffs is a really key component of this for Mexican business. I would say it's a really big component of this for American business as well.

So, we are engaging broadly. And then ultimately I think the other thing I would add is that the president is very directly involved. And so ultimately all of these conversations do need to flow up to him. I mentioned earlier there, there is, despite, the statutorily created role for a congressional vote or process, there is importantly a lot of engagement between the Hill and the administration on the importance of this issue as well. I would be very surprised if that didn't increase in the coming months as we approach the review.

**SANDS:** Excellent. Other questions and comments from our in-room audience? Looking for one? Yes. We have a young lady here. Maricarmen, bringing the mic.

**AUDIENCE QUESTION:** Hi, Kelly Malone with the Canadian press. Ambassador Greer has obviously mentioned key areas that he's looking to improve USMCA. Rules of origin, lots of different ones. What areas are the business community looking at in either concern or what you'd like to be improved as this review process kind of takes forward? Where's the business community looking at?

**HOLMES:** Sure, I can start. So, first of all, I'll just say maybe to the last two questions that we really appreciated Ambassador Greer's testimony in December. I thought it was quite transparent very clear following the statutory kind of expectations. And also he spoke with the vision to the progressivity of this agreement.

Right now I think we're all galvanized by the uncertainty of the review phase. But if we stand back and look at how unique this is in an agreement and how it allows it to be evergreen and actually drive towards increased continental integration of our economies over time, I really appreciated the signal that was in there, because I think that is at origin of what this is.

And with the rapid response mechanism and and other elements in terms of the our submission and testimony, which I'm happy to provide you with afterwards. We noted that continuity is really our end goal here. This is our top box. There are absolutely areas that could be improved their, changes to the agreement we would see as additive in nature.

So, the digital chapter was mentioned. It did not assume artificial intelligence. It did not assume post quantum cryptography. There are a number of elements in our economy or that could be highly disruptive to our economy that just aren't contained in that agreement or in that chapter.

And so there's an element there that I think can be worked on critical minerals and obvious other piece which has been a focus of conversation at the G7 the G7+. And obviously there are a number of choke points, geopolitically and globally that are putting pressure on the entire continent, but many of our traditional allies as well.

So there are areas within the existing agreement that can be added to or improved upon, and there are mechanisms within the agreement that allow it to do that. And so we would really enforce and validate the current agreement and the continuation of it.

**SANDS:** Excellent. Do you wanna jump in, Juan, please?

**CORTINA:** Well, no, I just want to underscore what I said earlier, that, in order to, in the future to reduce our dependency on non-market economies, we need to start looking at obviously rules of origin that would reduce maybe the, what, the word is transshipment of certain goods that have happened in the past. And in that sense, and I mentioned it, we need to be very careful on what we do and how we do it, and we need a strategic alignment between the three countries to be able to do it successfully and efficiently moving forward. So I think there's a big area where we can work, and at the end of the day, I also mention it, we could end up to something akin to a custom union for North America.

**FUSSELL:** Can I--

**SANDS:** Yes, please, go ahead.

**FUSSELL:** If I can just add one point on this, so rules of origin was raised by Ambassador Greer in, in December and there's been a lot of discussion about whether there might be changes there. We are expecting that there will at some point, be some clarity, hopefully very soon, provided as to. So the universe of changes that the U.S. government is interested in pursuing, whether that's refinements regarding compliance and implementation or new

provisions, perhaps additions to the digital trade chapter. Specific changes to rules of origin. About a week ago the USTR General Council speaking at a public event said that the USTR would soon be looking to the public for to the business community and others for specific text proposals on potential changes.

And I think one area where we feel a bit like we're walking in a dark room right now, we have parameters, I would say there are shadows. But unlike a traditional FTA trade negotiation under trade promotion authority, where you have clear negotiating objectives that the U.S. government has laid out, specifically the areas that it will be seeking to negotiate, we don't really have that right now.

My hope and expectation, our hope and expectation is that we get that soon because we would very much like to engage in that process of providing specific recommendations. We have asked, and you've heard from my colleagues up here that we would very much like to engage on how to move forward in a way that's, in line with, let's just call it commercial interests, right? Maintaining the strength of this agreement. We can't do that if we don't understand what the specific goals are. Again, I think we have general parameters, but my hope is that we can get more specific parameters because we are ready to engage and work with USTR and the other governments and our colleagues in the Canadian and Mexican business communities to, to work through this.

We expect that it's going to have to be narrowed down at some point so that we can do that.

**CORTINA:** And Matthew, let me add another point. I think this discussion of rules of origin and trans shipments and all of that can be an off ramp to be able to solve the 232 issue. And I think there's a lot of work that can be done in that sense there.

**SANDS:** Very useful. I wanna pick up on something that, that you just, you all just raised, but I'm gonna start with you, Nasim, this question of transshipment goods coming from outside North America. When we started this journey, we had rules of origin, certificates of origin that had to be filed. And now we've given that up. But we, I think from an enforcement point of view, could really value transparent, accountable supply chains. Obviously protecting trade secrets, but implemented with AI, with blockchain, with other technologies that could make it easier to understand trade patterns.

Is that something that you think is too sci-fi for us for now, or do you think that we could use the USMCA as a building block for trying to better monitor and in some ways govern our supply chains?

**FUSSELL:** I think that's a great question. I believe that at least in recent years, U.S. Customs and Border Protection has already been studying this. I don't know how actively it's happening right now but I know it, it has been in the recent past and looking at whether this is a tool that we can utilize here in the United States for customs enforcement. It would be incredibly valuable. I see USMCA as with many other provisions and issue areas as a wonderful Guinea pig for that if we want to utilize it in the context of a trade agreement.

And I would just add, just to pick up on Juan's point, there, there are things beyond maintaining these 232 tariffs customs enforcement coordination between the three governments, the strengthened economic security provisions. That's a whole bucket. There are a number of things that you can do there, but there are ways that we can work together,

including through greater higher tech customs coordination, to hopefully alleviate the needs of for tariffing each other. In the context of a trade agreement.

**SANDS:** That would be, that would be a big win. Matt, I know I noticed that Ambassador Greer, when he came off his testimony focused on a couple of different things that were on the Canadian list, and one of them was provincial procurement. We've had this problem before during the Obama administration over the American Recovery Reinvestment Act, solved it by getting more provinces to join, annex two of the government procurement agreement, the WTO, which is plurilateral, not binding on everyone.

But where do you see the provinces in all of this? And particularly in light of the sort of popular outrage that you were talking about earlier, how do the provincial governments fair and how is Ottawa working with or against them?

**HOLMES:** I'm gonna come back to that. I just want to speak to the rules of origin piece quickly if I can. So, first of all, we have a side letter already on steel and aluminum that the 232 does not even respect. So, I'll just say that. So, how much you want to put into this is one of the questions that's being raised in Canada right now.

On rules of origin. It has to work for business too. So real concerns, legitimate concerns around trans shipments and how do we address that? But it also needs to be a system that is, whether the technologies that you outlined before are an option here or not has to be something that works at a continental level that allows for the free flow of commercial goods in a timely way.

Ironically, some of the deals that were struck in 2025 with other jurisdictions actually create a scenario where there are no rules of origins really being applied to those jurisdictions at a better tariff rate than you would find under the 232s. So again, what are we doing here on the procurement?

So Canada was not a signatory to, what is it, chapter 13 in USMCA on government procurement. And so the US and Canada, I think Mexico and Canada have the CPTPP that allows them to to address investment concerns or other procurement issues. But the U.S. and Canada fall back to the WTO within that, within the Canadian context of that. We have the jurisdictions, the provincial and territorial governments have signed on and adopted the WTO standards. So there is a precedent, there is a mechanism that we can use and that we could translate into USMCA in a renewed agreement.

I'm quite hopeful when you look at Ambassador Greers bullet list, a number of them are subnational concerns alcohol sales certain language requirements in the province of Quebec. And so the difficulty of the federal government, which is a highly decentralized sort of federation in Canada to address all of those provincial concerns will be iterative in nature or those subnational concerns of the U.S. government. So, I think the model is there. I think the pathway is there, and there is a mechanism right now that works between the US and Canada, ironically, using the WTO, which doesn't seem to be the the multilateral forum of choice these days. But we can use that and I think bring that into USMCA in the future.

**SANDS:** Excellent. And Juan in the previous panel we had a great question about energy reform and what's going on in Mexico. How do you see the energy reform and pressure from USMCA or at the negotiating table from Mexico to maybe reconsider some of the changes

that it's adopted recently? Or do you see them essentially reinforcing the direction the Sheinbaum government is going?

**CORTINA:** Well, I, my personal view on it is that I think the Mexican government should review what has been done. I think Mexico, in order to keep growing to the pace that the Mexican government wants it to grow, needs to look at energy reform and look what has happening right now with investment in the country.

So I think it's a fair question and I think it's fair to rethink things after a while that you're seeing that they're not working properly. That you need to reinvent, so to speak.

**SANDS:** Excellent. We've time for just a couple more questions from the audience. I'm going to turn it out and I, oh, there's a gentleman here, Dozie, and then Maricarmen, did you have one ready or you have one from the web?

**BARRON ESPER:** I have from online, but we can go with the person here first.

**SANDS:** Alright.

**AUDIENCE QUESTION:** Hello. Diego from CSIS, former employee here. My question is on section 232, I think no deal is still better than a bad deal. And partly one of the reasons why we haven't started bilateral and trilateral working groups for the review is that the US has been showing inflexibility on section 232s with Mexico, and with Canada, either reducing them or getting rid of them completely. So my question to you here, to, to the three of you and obviously to Chris as well, is, will we see some flexibility from the US on 232s or is this something that they are likely not gonna move with? And what impact does that have on Mexico and Canada? Now that SCOTUS struck down IEEPA tariffs, I think the U.S. government is gonna rely even more on section 232s and that will impact more USMCA compliant goods from Mexico and Canada. And it'll make it harder for both countries to stay at the negotiating table if they keep getting hit by those tariffs. Thank you.

**SANDS:** I wanna say welcome back Diego. And also you are true Washingtonian. Now you just ripped off SCOTUS very smoothly For anyone who doesn't live in this Beltway, it's the Supreme Court in the United States. So just covering that.

Juan, do you wanna start?

**CORTINA:** It's more of a U.S.--

**FUSSELL:** I think it very much does impact all of us. So I would love to hear what you think. I will comment on one portion of your question since there's a lot to unpack here and you said no deal is better than a bad deal, which is a refrain we hear often in the midst of trade negotiations. I would beg to differ this time—and that is not a defense of the 232 tariffs, to be very clear at the outset—and here's why:

I laid out at the beginning of my comments how critical this deal has been for the vitality of the US business community. I would argue for the North American business community and ag community and beyond. I think that there would be significant economic ramifications if there were a withdrawal from the agreement at this point. If there were even a bifurcation of

the agreement at this point into one or two separate bilateral deals. We have such integrated supply chains. I just, don't have a number to give you right now on what the hit would be to the US economy and more broadly to the North American economy, but it would not be good.

So I don't mean to suggest that we should accept by any means the maintenance of the 232 tariffs at the levels at which they are. We, as Business Roundtable, have very clearly called for the elimination of these tariffs on Canada and Mexico and we're being very clear eyed about that. We're not suggesting that you just drop 'em and move on. We recognize the concerns that the administration has. You've heard each of us suggest different ways we can approach these concerns. I don't think it's gonna be a one size fits all solution, just being realistic about how this may turn out.

We are likely gonna have to work with them to find a series of solutions that we can bring together. And it will take, I think, significant engagement from, all three of our business communities in this discussion to make it successful. But yeah, we very much would like to see these tariffs come down. Not just reduced, but off. That said, we must and should work together to find ways to address the concerns of the administration.

One we've repeatedly mentioned that we know they're interested in is changes to rules of origin. I ultimately it may vary depending on who you're talking to within the administration, what the goal of that might be. We've heard transshipment today, I think in some segments of the administration, it is a total onshoring of certain industries or perhaps segments of certain industries, whatever the case may be. We have to recognize that neither one of those things can happen overnight. And so if that is a goal, there has to be close consultation with the business community and recognition that there will have to be staging periods, which I don't think is something that they wouldn't be open to. I can't speak directly for the admin, but I'm just going by precedent in the first Trump administration, when the very significant changes were made to the auto rules of origin, those came with a staging regime.

So I'll stop there. Love to hear what my colleagues,

**CORTINA:** I would add that I, I think it's also important to contextualize what's been happening over the past few months. And I would argue that there's been a lot of things in the U.S. administration's plate, and by one reason or another, I think the USMCA is being left at the very end of what ends up being U.S. commercial policy and what they do with the rest of the world. And then they're gonna sit down and see how Mexico, Canada, and the U.S. fit in this new trade commercial reality that we're going into.

Secondly, I think that there's other issues that have come to the fore and for example, the security situation and immigration and fentanyl issue with Mexico, and that has taken a lot of airspace from the discussions. No, and that has taken a priority. And again, that's left the commercial side somehow, I would argue, beholden to what's happening on the security side of things.

And lastly, there's obviously a lot of ups and downs on politics here in the us That doesn't help the progress of the real negotiations. And, together with, the USTR being so busy with so many other treaties and things they do with other countries that, we've fallen through a little bit through the cracks, I believe.

**SANDS:** Not at Brookings though. Definitely keep you on the focus. Matt, what's your thought?

**HOLMES:** On 232s, unfortunately we expect to see more before we see fewer. I think the Council on Foreign Relations estimated 160 billion in both current 232s and those that are in the pipeline right now under review and investigation, in terms of the direct hit to Canadian industry. It's, it creates some pressure to force the deal. Do I think that's July 1st, which is Canada Day? I'm not sure it is. Can we live with moving into 2027? Probably, if we're in a review state and I think our government has the cover to do that right now from the electorate as I mentioned earlier.

The other timing consideration though, is, and I'll just, if you'll allow me, I'll take you on a little tour of the Federal Reserve Banks. The St. Louis Fed found a direct correlation between the tariffs and the price of goods, particularly durable goods. And the timing of when those were introduced, the New York Fed concluded that 90% of tariffs are being borne by the U.S. consumer and business community. And an economist with the Dallas Fed recently concluded that any reciprocation in terms of response from say Canada or Mexico on tariffs will actually negate or even further the damage to American consumers and businesses.

And so there's a timing consideration around, do 232s, are, do they serve as a forcing mechanism to get the deal done and hopefully resolve it? To date, we have not seen many proof points of deals that are struck being adhered to. The other forcing mechanism perhaps is the consumer base here in the United States decides at a certain point, life's too expensive and these tariffs don't seem to be helping.

**SANDS:** Very important. Yes. Maricarmen has a question from one of our online viewers.

**BARRON ESPER:** Yes, thank you, Chris. Question from Bart online. In light of the U.S. administration's recent signal that it may seek to replace the trilateral USMCA with separate bilateral deals, what is Canada's most effective counter strategy to maintain a unified North American front?

Specifically, how can Canada leverage its new action plan in critical minerals coordination with Mexico to prove to Washington that a trilateral architecture is a prerequisite for not an obstacle to continental security and supply chain resilience against non-market economies?

**SANDS:** We'll make this the last, it's a big question. We'll make it the last question and see how you do.

**HOLMES:** I think it may have been from me. I'll say when it comes to Olympic extra time hockey, we find three-on-three egregious and indefensible. But when it comes to a trilateral deal it's essential and fundamental and we're committed to that. Our recent trade mission to Mexico, we heard very much the same from our counterparts in Mexico.

**CORTINA:** And I agree and I think, we need to look at this as a big opportunity on how we can strengthen North America. We've talked about, going forward to something close akin to a custom union, but we could also look to other areas, for example, like mining, and we're talking with the critical minerals and that kind of thing. We probably should have some similar regulation in terms of mining critical minerals and all of that in North America. That would help develop those sort of new industries that are needed.

And so, I just want to finish to underscore that we need to see this as an opportunity to strengthen North America and our competitiveness moving forward.

**SANDS:** Absolutely. Nasim, last word to you.

**FUSSELL:** Three is better than two in this case, is the final words for me. This is critical to, one of our top priorities is maintaining the trilateral agreement structure. And one, one final note on that really applies to everything I said today as well is that we, from the U.S. perspective need to be a part of this with our North American counterparts. If we are not, they will continue to have each other. They are a part of the CPTPP and we will be found alone on an island as there are other regional trading blocs strengthening their ties together. And from the U.S. business perspective that is not what we would like to see. At this juncture where I sit today, I think we will remain a trilateral trading bloc. And then certainly you have the weight of the trilateral business community behind that. Absolutely.

**SANDS:** Something we've heard before is that going to this review, we were in some ways all three countries, a bit defensive, but what I hear from this panel and what I think you've really brought forward is the idea of being on the offense. How can we make things better? Not just how do we hang onto what we've got? And I think that's the kind of spirit that we really need in our discussion. It will inform our research here at Brookings.

I want everyone, please join me in thanking this outstanding panel. And before you go, especially if you're watching online, remember that this was all about announced the launch of our USMCA Forward 2026 report, available online. If you're in the room, you get a handy card like this with a QR code. But even if you're at home, you'll be able to find this, read the chapters, they're excellent, and they add meat to the bones of what we've been discussing all day.

Thanks very much.

Okay.