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U.S.-MEXICO FOUNDATION

THE NORTH *American* PROJECT

Why USMCA matters for **resilient supply chains** and North American **economic security**

April 2026 update

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México ¿cómo vamos?

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April 2026 Update

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Executive Summary

A success story nearly 40 years in the making

The process of North American trade and economic integration, initiated with the entry into force of the North American Free Trade Agreement (NAFTA) in 1994, has unfolded amid profound systemic changes in the global economy. Over the past three decades, Mexico, the United States, and Canada have faced common challenges and seized shared opportunities, shaping a stronger and more interdependent region.

Although the effects of NAFTA are evident, they were not exempt from criticism. While trade and investment certainly grew, many of the benefits were not evenly distributed. The treaty proved to be an important instrument for economic growth but did not fully harness North America's potential.

In the 21st century, North America's goal should be to become the most prosperous and competitive region in the world. To achieve this, **Mexico, the United States, and Canada must leverage the accumulated experience since 1994** to develop and implement an ambitious joint agenda. This vision goes beyond trade, encompassing economic growth, social progress, and technological innovation. **By promoting shared prosperity, deeper trade, investment, and common standards in production, labor, and regulation, North America can secure and reinforce its supply chains through deeper integration and become the global benchmark for technological progress, resilience, and competitiveness.**

In light of prevailing uncertainty, three valuable assets support this agenda.

First, the three countries have a **unique trade agreement** in the world that **provides certainty for investments** and **facilitates** the **movement of goods and ideas** because we share **trilateral standards** and **rules**.

Second, our **economies** are not competitors but **complementary**. We produce more efficiently because, for the past four decades, we have invested in building integrated production platforms. Our **interdependence** also extends well beyond trade: **job creation** in the United States generates **additional employment** in Mexico, and job losses in Mexico can, in turn, translate into job losses in the United States.

Finally, as **geopolitical tensions rise** and **industrial policies reshape global production**, North America must **deepen** the **integration and strengthen the resilience of its critical supply chains to protect its economic security.**

These advantages matter even more in a global environment increasingly defined by disruption. The pandemic revealed the vulnerability of extended supply chains, Russia's invasion of Ukraine destabilized **energy and security balances**, and U.S.–China tensions have accelerated the **fragmentation of global trade**. At present, the war in Iran and broader instability in the Middle East have intensified those pressures, disrupting energy markets and exposing the **risk of dependence on distant suppliers** and vulnerable transit routes. Although the future of globalization is uncertain, we can be sure it will be **more regional, anchored in transparency, trust, and resilience**. That is why **the USMCA matters**, as it provides North America with the framework to strengthen **competitiveness**, **advance economic security**, and deliver **prosperity to its people**.

Seizing this momentum is essential. Over the past three decades, North America has strengthened its integration process—evolving from NAFTA in 1994 to the USMCA in 2020—demonstrating that **trilateral collaboration delivers greater results than isolated national efforts.** The choice is clear: the region must now consolidate its role as a global leader by deepening integration, advancing innovation, and setting the standards that will shape the future of trade, resilience, and competitiveness.

North America, an ocean liner navigating the waters of a changing world

Now that the 2026 Joint Review has begun, making the case for USMCA is more urgent than ever. This project advances a strategic narrative anchored in four core ideas: **growing North American trade; strengthening shared labor and production standards to boost competitiveness; consolidating regional stability through clear rules and the rule of law; and reinforcing supply chain resilience as a driver of future prosperity and economic security across the region.**

There is no better time to start narrating **our shared success story**. **The success of over 30 years of trade openness and regional integration also enables us to set common goals for the year 2050: to make North America a much more prosperous and the most competitive region in the world.**

Charting a shared path to a promising future

This common working agenda proposes **four major shared goals to achieve these objectives:**

- **Goal 1.** Shared prosperity and job creation.
- **Goal 2.** Economic growth.
- **Goal 3.** Intraregional and global trade.
- **Goal 4.** Sectoral, strategic, and infrastructure investment.

The project presents various indicators within the goals to identify the path forward, tools for their monitoring, and a communication strategy to optimize the support of relevant stakeholders.

The goal monitoring process is complex yet adaptable. The invitation for other relevant stakeholders to join the project involves them developing their own goals, indirectly contributing to the achievement of overarching objectives.

In a way, **The North American Project** proposal implies a continuous study and assessment of the North American reality – to verify progress but also to anticipate adjustments in areas where necessary.

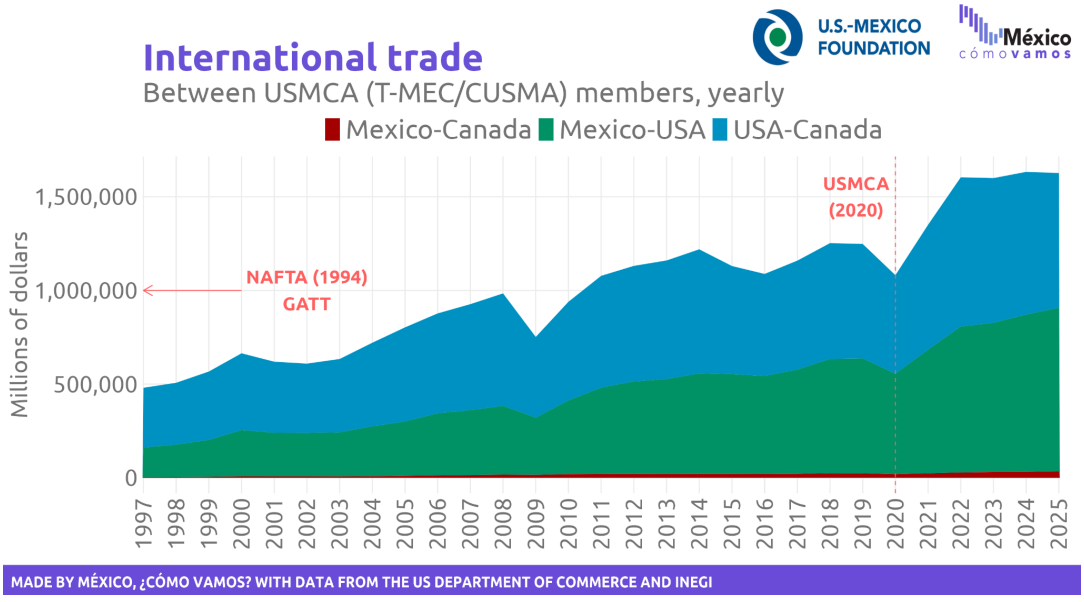
Only through sustained **dialogue** and **strategic coordination** among governments, SMEs, the private sector, civil society, and academia in all three North American countries can deeper regional integration translate into greater competitiveness, stronger economic security, more and better jobs, technological leadership, and shared prosperity for the people of Mexico, the United States, and Canada.

USMCA fast facts

1. Trade

In the last 20 years, trilateral trade in goods increased from USD **803 billion to more than USD 1.6 trillion** annually.

- Mexico and Canada are the main trading partners of the U.S. in 2025.
- The Mexico–U.S. border is the busiest in the world, trading **USD 2.39 billion every day** (USTR).
- The busiest land port for goods trade between Mexico and the U.S. is the Port of Laredo, Texas, with over USD 296.2 billion in freight value in 2025 (BTS), just below the Port of Los Angeles, which recorded **USD 301 billion** in **cargo value** in 2025 and ranks as the #1 port in North America.
- The leading truck port for goods trade between the U.S. and Canada is Detroit, Michigan, with USD 94.2 billion in truck freight value in 2025 (BTS).
- Since the post-pandemic rebound of 2022, trilateral goods trade has remained broadly unchanged at around **USD 1.6 trillion, underscoring the value of supply chains located close to final markets.** Even as recent U.S. tariffs have weighed on trade dynamism, it remains 30% above pre-COVID levels.



2. Jobs and rules of origin

USMCA supports jobs by linking preferential market access to both regional production and labor standards. **Chapter 4 on Rules of Origin** requires firms to meet origin thresholds to qualify for tariff preferences, while the automotive provisions add a labor value content requirement linked to higher-wage production in North America.

Chapter 23 on Labor requires the three countries to uphold labor rights, enforce their labor laws, and prohibit the importation of goods made with forced labor.

The **Annexes 31-A and 31-B** include a **Rapid Response Labor Mechanism** that allows complaints and remedies at specific facilities when workers' rights are denied.

Brookings notes that, by January 2025, the mechanism had benefited 42,000 workers through backpay, reinstatement, and free and fair union elections, and that by August 2025, 32 cases had been concluded.

⚠️Manufacturing jobs suffer when tariffs disrupt regional supply chains. From December 2024 to December 2025, **North America lost manufacturing jobs across all three countries**:

- 113,000 in the United States (U.S. Bureau of Labor Statistics via FRED),
- 48,375 in Mexico (INEGI) and
- 40,600 in Canada (Statcan).

In an integrated production platform like North America, trade disruption does not stay in one country; it ripples across the region.

3. Harmonized standards to produce

North American competitiveness depends not only on tariff preferences but also on reducing regulatory frictions that slow production across borders. The USMCA provides that framework through **Chapter 11 on Technical Barriers to Trade** and **Chapter 28 on Good Regulatory Practices**, which encourage the use of international standards, transparency, regulatory cooperation, and compatibility across the three countries. In practice, this matters for integrated sectors such as **automotive, steel and aluminum, and emerging clean-technology industries**, where more aligned standards can lower costs, speed production, support innovation and decarbonization, and strengthen North America's ability to compete more effectively with Asia.

4. Investment certainty under USMCA

USMCA matters because investment depends on clear rules, transparency, and enforceability. Chapter 14 on Investment provides core protections for covered

investments including national treatment, most-favored-nation treatment, the minimum standard of treatment, protections against expropriation, and the free transfer of investment-related funds. Within that same chapter, **Annexes 14-D and 14-F** preserve a limited form of investor-state arbitration for certain Mexico–U.S. disputes, with broader claims reserved for investors operating under covered government contracts in strategic sectors such as **oil and natural gas, power generation, telecommunications, transportation, and certain infrastructure.** That framework is reinforced by **Chapter 29** on Publication and Administration, which promotes transparency and procedural clarity, and by **Chapter 28 on Good Regulatory Practices**, which supports regulatory quality, compatibility, and cooperation across the three countries. When disputes arise between governments over the agreement's interpretation or application, **Chapter 31** provides the **mechanism for state-to-state dispute settlement**. Together, **these provisions help firms plan for the long term, allocate capital more efficiently, and invest across North America with greater confidence.**

> 💡 Implementing a **shared North American investment screening system** could boost investor confidence by **protecting the region against** unfair investment practices, including **state-backed subsidies** and the use of **forced labor** in non-market economies.

5. North America's regional economic scale

In 2025, the United States, Mexico, and Canada **together accounted for about 30% of global GDP**, based on IMF World Economic Outlook, October 2025 data. By comparison, the **European Union accounted for about 18%, China for about 17%**, and Latin America and the Caribbean for about 6% of world GDP. This underscores the scale of North America as an economic bloc and the strategic importance of deeper regional integration.

6. Food security in North America depends on regional trade

The region's agricultural markets are not isolated national systems but a connected food platform. USDA shows that U.S.–Mexico agricultural trade is **highly complementary**, and that Mexico and Canada are among the most important destinations for U.S. farm exports:

- In 2025, **Mexico was the United States' leading agricultural trading partner**, accounting for 32.7% of U.S. agricultural imports and serving as the destination for 16.9% of U.S. agricultural exports, followed by Canada (U.S. Census Bureau).
- The share of agricultural imports from Mexico and Canada is 2.5 times the **combined value of imports from Italy, Brazil, France, Ireland and China**.

- In commodities such as fresh fruits and vegetables, the U.S. is highly reliant on its USMCA partners for year-round availability. In 2023, Mexico and Canada supplied:
    - 51% and 2%, respectively, of U.S. fresh fruit imports.
    - 69% and 20%, respectively, of fresh vegetable imports, in terms of value.

That **integration** helps **stabilize** supply, smooth seasonal shortages, and strengthen the resilience of **North American food systems** in the face of shocks.

7. North America is not just a trade bloc but a co-production platform built on integrated value chains

The automotive sector is one of the clearest examples of North American co-production. The Congressional Research Service (CRS) notes that **auto parts can cross regional borders seven or eight times before final assembly**, meaning tariffs act like a tax on the production platform itself. In 2025, that pressure coincided with weaker output on both sides of the border: U.S. motor vehicles and parts industrial production fell 1.92% year over year in December (FRED), and Mexico's vehicle production declined 0.9% over the year (INEGI). In an integrated regional industry, tariffs do not stay at the border; they ripple through production, costs, and jobs across the bloc.

> 🔎**A critical diagnosis is still missing.**
>
> North America must identify the key components that are still produced mainly in Asia and other regions so it can allocate investment toward the strategic industries needed to strengthen competitiveness, resilience, and economic security across the bloc.

8. Energy abundance to power strategic supply chains

North America is energy-abundant but the region has not yet fully translated that advantage into a vertically integrated supply-chain strategy. The United States has become a major natural gas and Liquefied Natural Gas (LNG) powerhouse, while Mexico has become increasingly connected to U.S. gas through cross-border pipelines. At the same time, Canada and the United States already operate as a deeply integrated energy market in crude oil, natural gas, and electricity, giving the region a strong base for a broader North American energy strategy.

Mexico now relies on U.S. exports for about 70% of its domestic gas demand, especially in industrial and border regions (CSIS), while Mexico's growing LNG export capacity on the Pacific Coast could convert this bilateral dependence into a broader North American energy advantage (Atlantic Council).

The strategic opportunity is clear: **connect U.S. gas abundance**, **Canadian energy resources**, **Mexican infrastructure and geography**, and regional manufacturing demand to make North America more resilient and competitive.

9. Critical minerals and advanced manufacturing

North America has the mineral endowment needed to support **advanced manufacturing** but it requires a **deliberate regional strategy** to **reduce dependence on concentrated suppliers in Asia**. The U.S., Canada, and Mexico increasingly recognize critical minerals as central to **economic security**, the clean energy transition, and the future of advanced manufacturing.

Deeper North American cooperation would strengthen **supply chains for batteries**, **semiconductors**, and other **strategic industries**. The United States and Mexico have already taken an important step through the Critical Minerals Action Plan but a more concrete roadmap is still needed. Canada is especially important to this equation (Brookings).

The Government of Canada reports that, as of March 2025, it had 56 active mines producing critical minerals, 31 processing facilities, and 171 advanced critical mineral projects. Canada has also moved to strengthen strategic control over these supply chains through a CAD 2 billion Critical Minerals Sovereign Fund, alongside instruments such as offtake agreements to support supply security. For North America, **a stronger regional minerals strategy would support electronics, semiconductors, batteries, and computer equipment manufacturing while limiting dependence on non-market suppliers**.

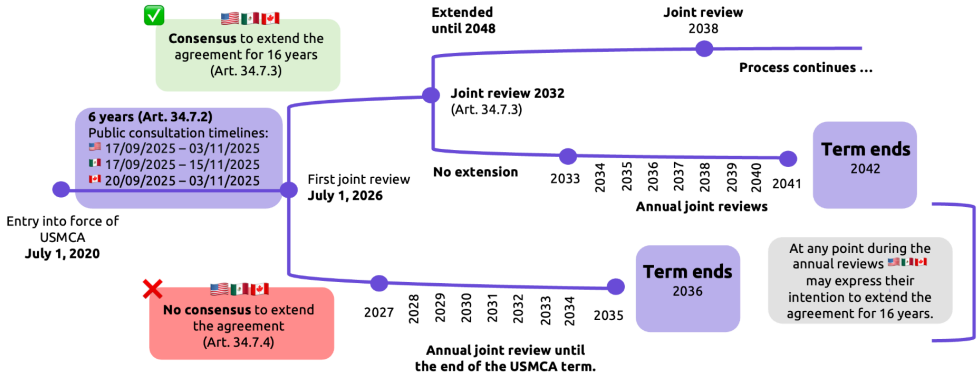
10. The 2026 USMCA Joint Review and the future of the agreement

The first USMCA joint review is already underway. USTR announced in March 2026 that the United States and Mexico had begun the first round of bilateral discussions in preparation for the joint review scheduled for **July 1, 2026**. Priority areas in these discussions include reducing reliance on non-regional imports, strengthening rules of origin, and reinforcing the security of North American supply chains.

Under **Article 34.7** of the agreement, if the three parties confirm that they wish to continue the agreement, **USMCA is extended for a new 16-year term**. If they do not, the agreement does not expire immediately; instead, the parties move into **annual reviews**, and **the agreement remains in force unless it reaches its termination date in 2036 without extension.**

That makes the review a high-stakes moment for North American trade, jobs, investment, and economic security.

Key dates established under the USMCA/CUSMA/TMEC sunset clause



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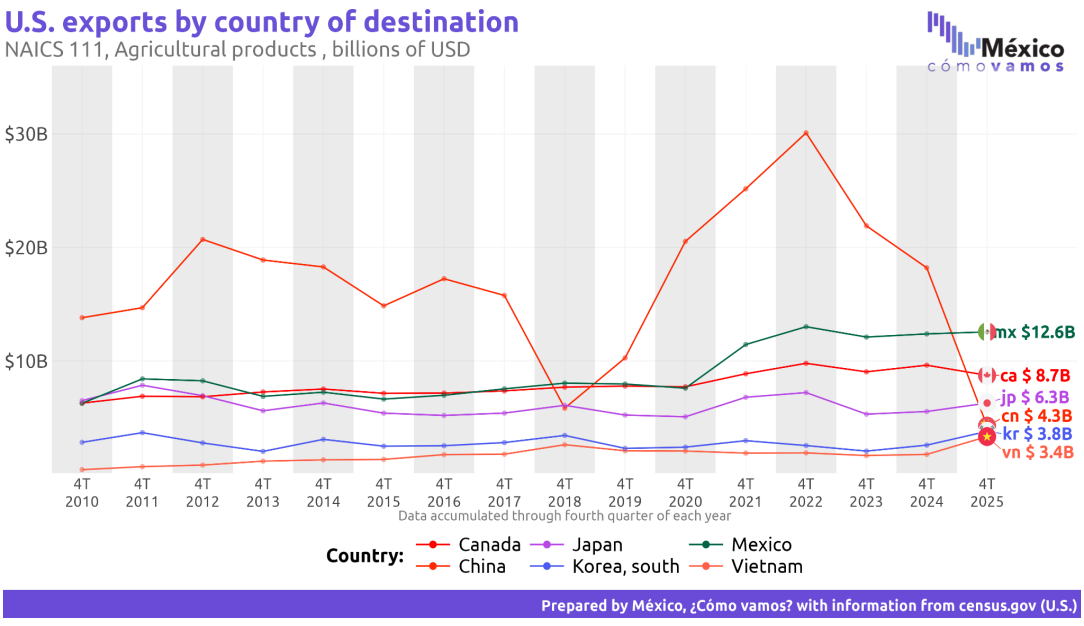
Food security in North America

The interdependence of the agribusiness markets in North America

Agro-industrial trade in North America, facilitated by the USMCA, plays a key role in the region's food security

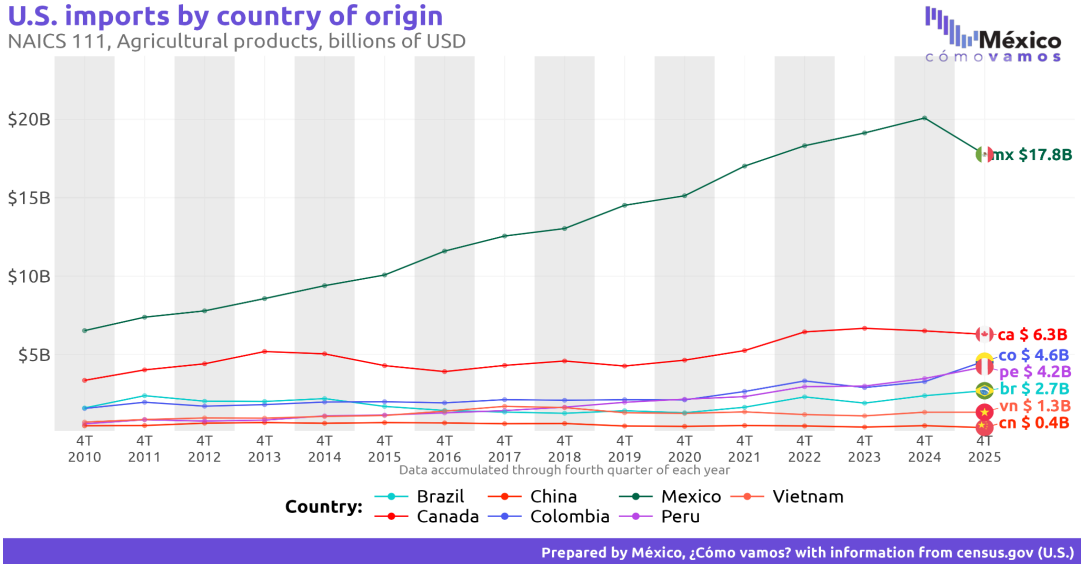
The U.S. relies on its USMCA partners for agricultural imports more than other countries outside the region.

- **Mexico and Canada are the main U.S. agro-industrial trading partners**, both **in exports and imports**, highlighting the complementarity of agricultural products in the three countries.
    - The share of U.S. agricultural imports from **Mexico and Canada** is 2.5 times the **combined value of imports from Italy, Brazil, France, Ireland, and China**.
- This relationship has become even more relevant following the reconfiguration of U.S. export markets as part of strategies to reduce its dependence on China.
    - China's share of U.S. agricultural exports fell sharply from nearly 30% in 2022 to just 5.7% in 2025.



Mexico has been the primary export market and supplier for U.S. agricultural products since 2010.

- In 2025, **Mexico accounted for 32.7% of U.S. agricultural imports** and was the **destination for 16.9% of U.S. agricultural exports** (U.S. Census Bureau).
- Between 2019 and 2024, Mexico's agricultural exports to the U.S. grew at a faster pace than U.S. agricultural exports to Mexico, highlighting the resilience of this trade relationship in the post-pandemic period (USDA).
- **Mexico's agroindustry is globally competitive**: agricultural exports are the country's second largest export category after manufacturing (BBVA).



Agricultural trade in the USMCA region

- **The U.S. exports to Mexico**: grains, oilseeds, and meat.
  - **Mexico has been increasingly dependent on importing corn**, especially yellow corn, to meet the rising demand from its livestock and starch industries (USDA).
  - **Canada imports fresh fruits and vegetables, processed products, and pork**.
- **Mexico exports to the U.S. and Canada**: fresh vegetables and fruits such as avocados, tomatoes, and berries (USDA). Also, beverages and distilled spirits, such as beer, tequila, and mezcal, which not only boost agricultural trade but also reinforce culinary integration in the region.
- **Canada exports to the U.S. and Mexico**: grains such as wheat and canola, in addition to meat and dairy products, strengthening North American agro-industrial integration (USDA).

USMCA partners bring fresh fruits and vegetables to U.S. tables

The U.S. is highly reliant on its USMCA partners for the year-round availability of fresh fruits and vegetables. In 2023, Mexico and Canada supplied:

- 51% and 2%, respectively, of U.S. fresh fruit imports.

- 69% and 20%, respectively, of fresh vegetable imports, in terms of value.

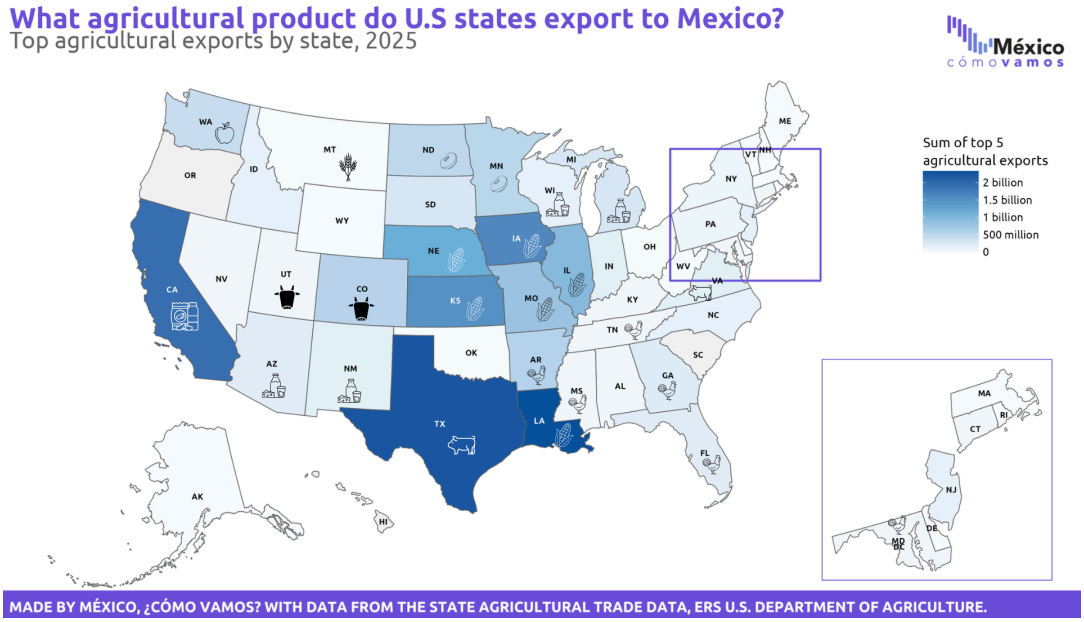
The growing dependence of U.S. domestic availability on imports has been reinforced by trade milestones such as NAFTA's signing in 1994, the completion of the transition to tariff- and quota-free trade among North America since 2008, and the entry into force of the USMCA (ERS-USDA).

- Since 1981, imports have expanded almost without interruption, and by 2023 nearly 60% of fresh fruit and 35% of fresh vegetable availability in the U.S. came from imports, which underscores the critical role of trade in food security (USDA).

Grains, meat, and dairy exports from the U.S. depend heavily on Mexican demand

At the state level, producers and consumers benefit from year-round agricultural trade with Mexico.

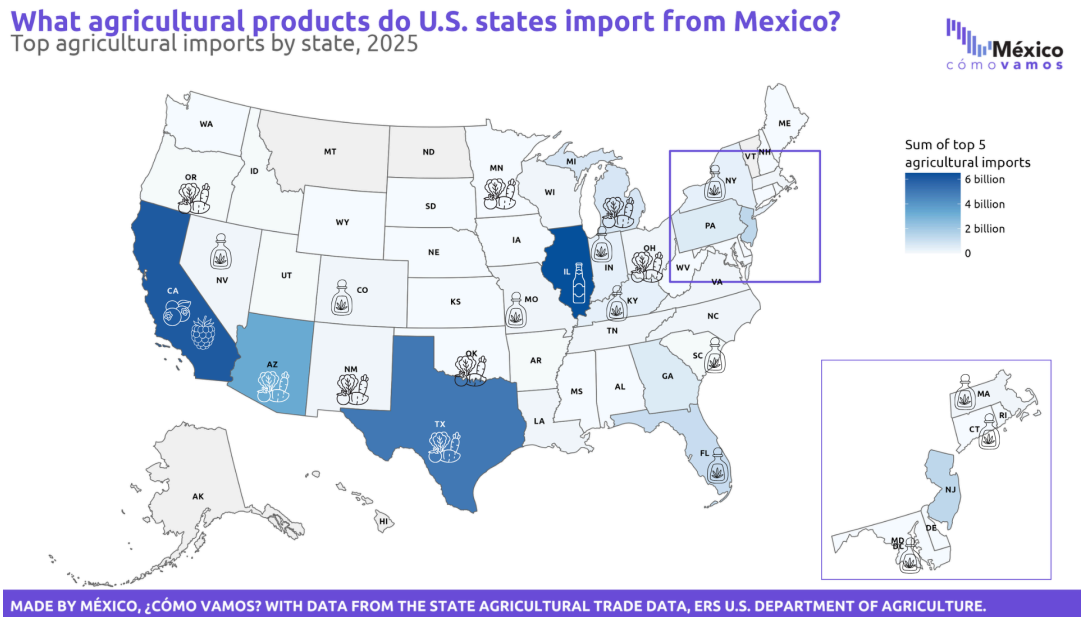
- In 2025, the top exports to Mexico include commodities such as corn, pork, dairy products, soybeans, poultry and beef.
    - The industries responsible for exporting these commodities are key economic engines across U.S. regions, anchoring jobs and production across the country.
    - **Soybean and corn exports** alone supported more than **212,516 jobs**, and **beef, chicken, and pork** exports supported about **157,434 jobs** (USDA, 2025).
- California, Texas, and Louisiana surpassed **USD 6.5 billion** in agricultural exports to Mexico in 2025.



Mexico is a key export market for U.S. states across major agribusiness sectors.

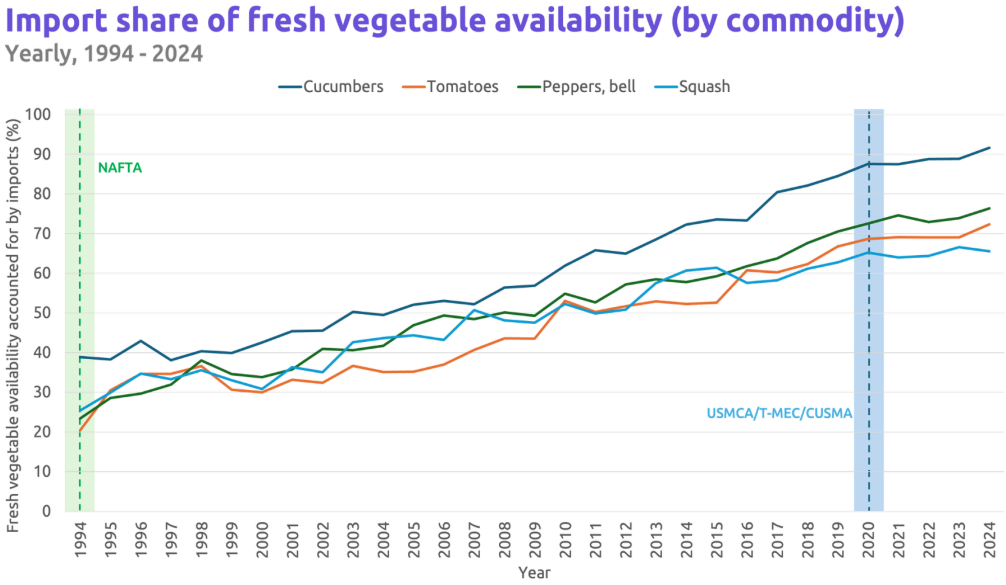
- **Corn**: The top U.S. agricultural export to Mexico in 2025, led by **Corn Belt states**. **Louisiana, Iowa, Illinois, Kansas, Nebraska, and Missouri** all have corn as their main export to Mexico. **Louisiana alone exported over USD 1.5 billion**.
- **Pork**: **Texas and Virginia** together exported over USD 1.1 billion to Mexico in 2025, accounting for nearly half of total U.S. pork exports to Mexico.
- **Poultry & Beef: Poultry meat** leads exports in **Arkansas,** while **Colorado** stands out in **beef.**
- **Dairy: Michigan, New Mexico, and Wisconsin** are the leading dairy exporters to Mexico.
- **Soybeans:** The main commodity exported to Mexico from **Minnesota, North Dakota, and South Dakota.**
- Other products: **California**, one of the largest agricultural exporters to Mexico, specializes in **food preparations**.

Mexico's fresh fruits and vegetables ensure year-round availability for U.S. consumers

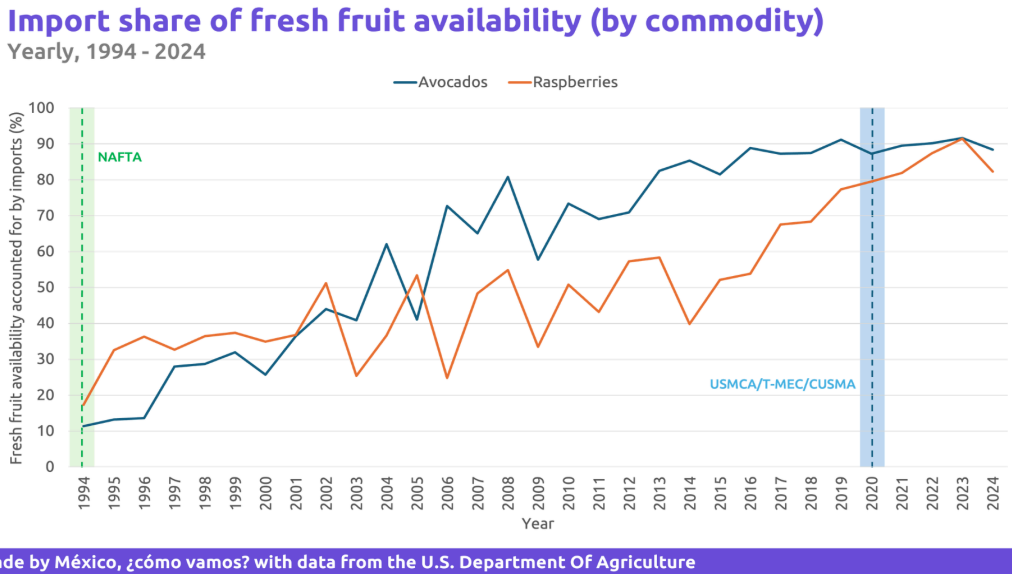


Top imports from Mexico across key U.S. states:

- **Fresh vegetables**: **Arizona, Texas, Michigan, and Ohio** are among the states that import the largest volumes of this commodity from Mexico.
    - **35% of the U.S. fresh vegetable availability depends on imports**, and Mexican imports explain **69%** of fresh vegetable availability (USDA).
    - **Tomato supply is highly import-dependent, and Mexico is the leading supplier:** in 2023, 70% of U.S. tomato supply came from imports, and Mexico accounted for 90% of that volume. As of 2024, **72.3% of fresh tomatoes in the U.S. came from imports!**



- **Fresh fruits (berries): California's** top agricultural import from Mexico are berries, which amounted to more than USD 2 billion in 2025.
    - Mexico plays a critical role in U.S. berry supply and between 1994 and 2024, the import share of fresh raspberries availability increased from 17.3% to 82.3%.
    - Among key fresh fruits, **avocados** stand out, as **88.4% of the fresh avocados available in the U.S. in 2024 were imported**, with **Mexico as the dominant supplier**.



Raise a glass to Mexico! It keeps the drinks flowing across U.S. states

- **Distilled spirits: Florida, Kentucky, New York, and Indiana** show the highest dependence on this product in their agricultural imports from Mexico, totaling a value of **USD 1.5 billion in 2025.**
- **Beer**: **Illinois's** top agricultural import from Mexico is beer. **The beer industry exemplifies a binational industry**, U.S. producers export key grain inputs to Mexico's breweries, where they are processed, bottled, and sent back to the U.S. market for consumption.

Tariffs and trade wars: a losing game for U.S. farmers

- During the 2018–2019 U.S.–China trade war, retaliatory tariffs led the federal government to pay $28 billion in compensation, equivalent to 92% of tariff revenue.
- Trade wars create uncertainty for agro-industrial supply chains, increase input costs for producers, and reduce competitiveness in global markets.
- U.S. consumption of **fresh fruits, vegetables, and tree nuts** depends on imports, and these commodities **make up 17% of the "food-at-home" Consumer Price Index (CPI) basket** (a measure for food inflation), which would mean that an **increase in tariffs would have an effect on prices in food key to the diet of Americans.**

The North American co-production model

Who co-produces with the United States? Trade deficit ratios (TDR) and why USMCA integration matters

In recent years, the trend toward regionalization has gained strength following the rise of globalization, driving the reconfiguration of value chains to serve final consumption markets and the vertical integration of regional supply chains to mitigate geopolitical and ecological risks, as well as limit exposure to tariffs resulting from trade disputes (OECD, 2017). During Donald Trump's first presidency, measures were implemented to reduce the United States' dependence on China. Meanwhile, the private sector has adopted derisking and decoupling strategies to reorganize its supply chains (McKinsey & Company).

The USMCA presents an opportunity for Mexico, the United States, and Canada to develop vertically integrated value chains (Wilson Quarterly, 2023), reducing dependence on other trade blocs, particularly in the technology sector with Asia. The trade relationship with China remains asymmetrical—unlike intra-USMCA trade, the Asian giant does not purchase U.S. products in proportion to its exports to the U.S. market. In contrast, the U.S. trade deficit with Mexico and Canada reflects the deep integration of North American value chains (Brookings, 2024).

A Congressional Research Service (CRS) report on the U.S. trade deficit and trade policy (CRS, 2018) explains that free trade agreements foster intra-industry trade—the exchange of intermediate goods within the same industry between countries that hold comparative advantages in specific products. In this context, **the trade of intermediate goods blurs the distinction between domestic and foreign production, reinforcing regional supply chain integration.**

To illustrate North America's trade integration, the trade deficits of the United States' five largest trading partners are presented as a proportion of their exports to each country, using the **Trade Deficit Ratio** (TDR).

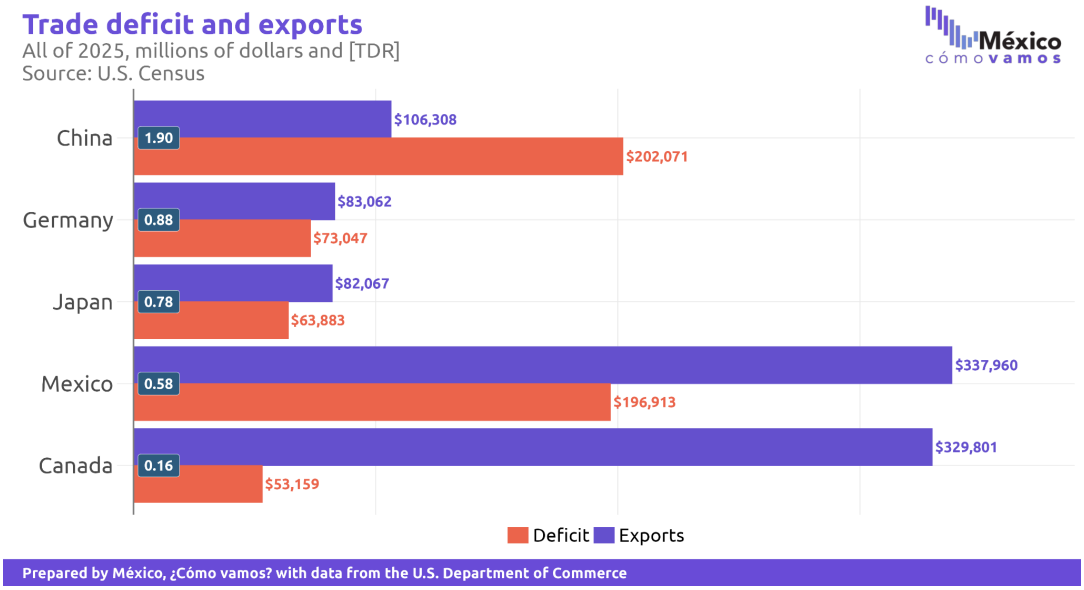
Unlike the simple net balance of trade, this metric offers a deeper view of bilateral relationships by showing what portion of U.S. exports to each country is linked to its trade deficit. In doing so, it underscores both the extent of supply chain integration and the strategic importance of these markets for U.S. exporters.

The TDR measures the U.S. trade deficit with a country relative to the value of U.S. exports to that country. Put simply, it shows how many additional dollars of imports the U.S. brings in for every $1 it exports — highlighting the size of the trade gap in proportion to exports.

Trade Deficit Ratio	A **TDR** closer to 0 shows a balanced trade.
TDR = 0.50	For every $1 exported, the U.S. imports additional $0.50 (total imports = $1.50).
TDR = 1.00	For every $1 exported, the U.S. imports an additional $1 (total imports = $2.00).
TDR < 0	The U.S. runs a trade surplus (exports exceed imports).

- Lower TDR → balanced, co-produced trade (e.g., with Mexico/Canada).
- Higher TDR → one-way import dependency (e.g., with China).

This measure helps us see not just who trades the most with the U.S. but who really **co-produces with the U.S.**, **which underscores why USMCA integration matters**.



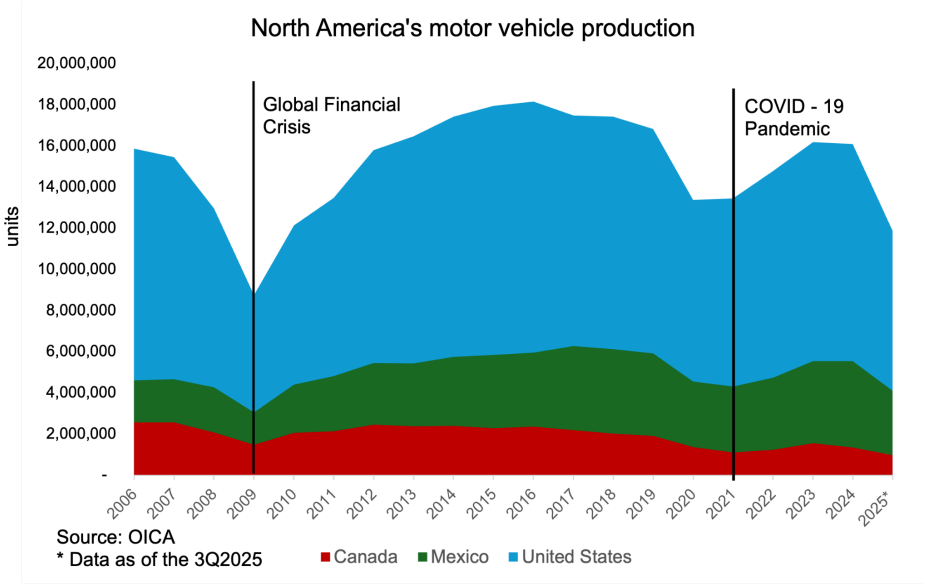
The co-production model is not just a theory; it already works. Nowhere is this clearer than in the automotive industry, where factories across Mexico, the United States, and Canada are linked in a single production chain that drives trade and creates jobs across the region.

The Auto Industry: North America's most integrated value chain

North America's auto industry by numbers

The auto industry is not only among the most important industries in the region but also the largest component of total North American trade, accounting for **more than 20% of USMCA trade** (OEC, 2024).

- **As of 3Q2025**, North America's motor vehicle production reached over 11.9 million units, reflecting a **8% decline compared with 3Q2019**, the last pre-pandemic benchmark (OICA).



Driving the economy | Jobs

United States: The U.S. auto industry is the second largest in the world and **employs 9.7 million people directly and supports an additional 11 million jobs** through its vast supply chain (2024, USTR and USITC). On average, one in 20 jobs across the country is supported by the auto industry, highlighting its position as **a major employer in the U.S.** (Data Driven).

Mexico: With **1 million direct jobs**, the industry influences a staggering **20 million jobs across multiple sectors**, demonstrating its broad economic reach (2024, AMIA). Worldwide, Mexico was the seventh-largest vehicle manufacturer (USITC, 2024).

Canada: The industry accounts for **427,000 direct and indirect jobs,** playing a crucial role in the country's economy and in the world by being the 11th largest vehicle manufacturer (2023, StatCan and USITC).

The auto industry drives North America's co-production model

The region's automotive competitiveness stems from a highly integrated trilateral production platform, where vehicle assembly is a cross-border, jointly executed process.

- A car's components, in some cases, cross the borders as many as eight times before becoming a finished vehicle (CRS).
- Deep integration is reflected in content shares: about half of the value in vehicles built in Canada originates in the United States, and more than one-third of the content in vehicles assembled in Mexico is U.S.-made (USTR).
- Mexico has consolidated its position as the United States' leading automotive supplier, providing 32.3% of transportation equipment imports in 2025; Canada follows with 14%.

Manufacturing jobs in both countries are closely linked through shared supply chains, extensive cross-border trade in components, and **synchronized demand for machinery, vehicles, electronics, and other manufactured goods**. This interdependence means **that shocks or growth in Mexico's industrial sector are quickly mirrored in U.S. manufacturing activity** and vice versa.

Trade disruptions don't stay in one country; they ripple across the region

Tariffs have weighed down on production and employment across:

- **The region recorded a 3% decline in motor vehicle production as of 3Q2025** compared with 3Q2024, reflecting **reduced output across all three countries**: a 4% drop in both Canada and the United States, and a 2% decline in Mexico, highlighting that **tariffs act** like a **tax on the production platform itself** (OICA).
- In the U.S., motor vehicles and parts manufacturing employment declined by 35.2 thousand jobs in 2025.
- In Mexico, employment in transportation equipment manufacturing fell 6.3% in 2025, according to the Monthly Manufacturing Survey.

What opportunities does the region have for strengthening the co-production model?

- Mexico is no longer just an assembly location; it is a strategic contributor to design, innovation, and high-value manufacturing, making it a key competitive advantage in meeting growing demand for integrated capabilities.
- Harness Mexico's structural strengths in auto-parts production including electric components, seating, suspension, engines, and transmissions to advance toward higher-value capabilities while maintaining its specialization in complete systems and labor-intensive manufacturing.
- The **heavy-duty truck industry** is highly integrated across the region and is the **backbone of logistics and supply chains**. New regulatory dynamics have made the

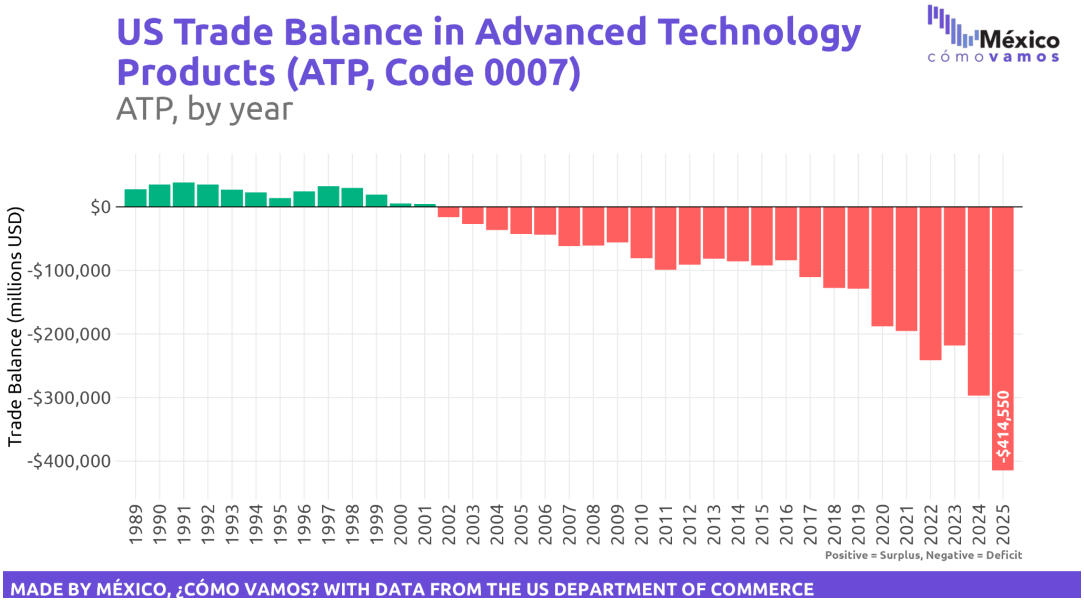
growth outlook uncertain and the Asian dominance in production urges the region to scale up production. U.S. engines and advanced components, Mexican assembly, and Canadian electrification platforms will allow North America to scale faster and strengthen its competitiveness against Asia.

By leveraging the USMCA to strengthen North America as the world's leading automotive export platform, the region can scale production faster, respond more effectively to global competition, and secure long-term advantages in advanced mobility and manufacturing.

Technology and economic security

Leveraging USMCA to reduce North America's dependence on Asia in computer and electronics manufacturing

The U.S. trade deficit in **Advanced Technology Products** (**ATP**) reached USD 414.6 billion in 2025, **the deepest imbalance on record and 39.5% larger than in 2024**. This widening deficit underscores the scale of U.S. dependence on critical technologies.



The U.S. Census Bureau classifies ATP trade into 10 technology groups, including **Information and Communications, which accounted for 87% of the U.S. ATP deficit in 2025**, up from 78% in 2024. This category is central to the digital economy and to strategic industries across North America.

By contrast, the **Electronics group**, which includes electronic components, accounted for only **3% of the ATP deficit** in 2025, down from 5% in 2024. Together, these figures suggest that the **U.S. depends more heavily on imports of finished technology products than on imported electronic components.**

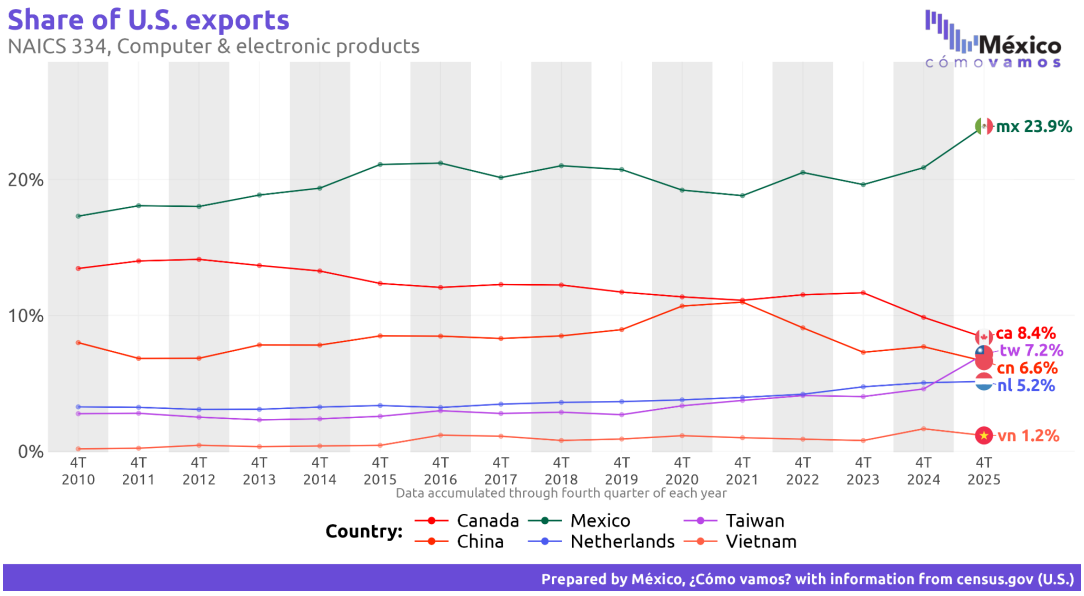
That dependence is also highly **concentrated in Asia**; **Taiwan alone accounted for 21% of the total U.S. ATP deficit in 2025, and Pacific Rim countries as a group accounted for 42%**, compared with **just 14% for North America**. This highlights the strategic opportunity to **leverage USMCA** to expand regional production in **computer and electronics manufacturing**, strengthen **supply-chain security**, and deepen **North American co-production**.

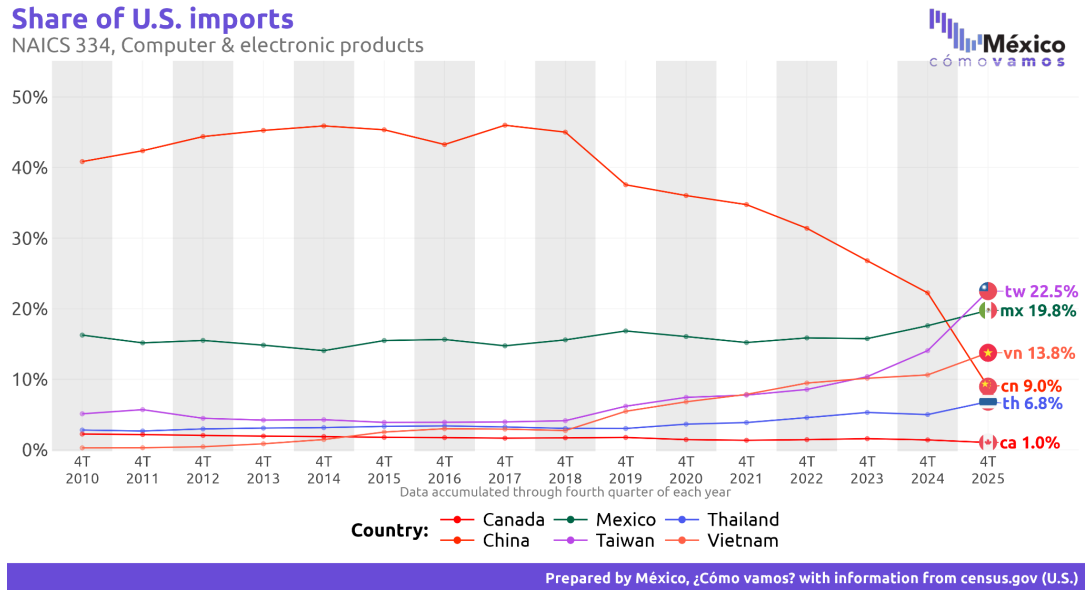
10 technology groups integrate the **Advanced Technology Products (ATP)**

ATP technology group	Contribution to 2025 ATP-deficit	ATP technology group	Contribution to 2025 ATP-deficit
ATP 1 **Biotechnology** Genetics, hormones, new pharmaceuticals	24%	ATP 6 **Flexible Manufacturing** Advances in robotics and industrial automation	0%
ATP 2 **Life Sciences** Scientific advancements applied to medicine	9%	ATP 7 **Advanced Materials** Semiconductor materials, fiber optics, video discs	0%
ATP 3 **Opto-Electronics** Scanners, solar cells, photosensitive semiconductors	4%	ATP 8 **Aerospace** Civil and military aircraft, turbine engines	-27%
ATP 4 **Information & Communications** High-capacity data processing products, radars, satellites	87%	ATP 9 **Weapons** Military applications, bombs, launch rockets	-1%
ATP 5 **Electronics** Electronic components, integrated circuits	3%	ATP 10 **Nuclear Technology** Nuclear energy production devices, reactors, and their components	1%

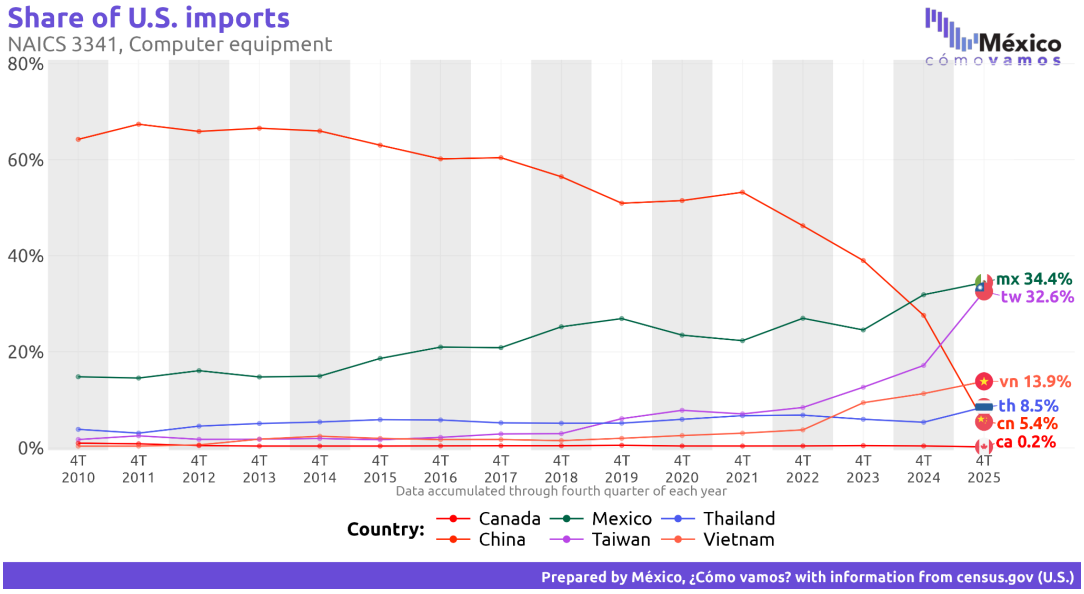
Source: Exhibit 16a. U.S. Trade in Advanced Technology Products by Technology Group
*Note. Negative values indicate that the technology group registered a net surplus in the overall ATP balance.

Using the North American Industry Classification System (NAICS), it is possible to identify where the United States sources **computer and electronic products** (NAICS 334) and, in turn, begin mapping North America's technology dependencies and regional production capacity. In 2025 **Mexico was the leading export market** for the **U.S., followed by Canada**, while **Taiwan was the leading supplier** to the U.S. in NAICS 334, **accounting for 22.5% of imports**, followed by Mexico with 19.8%. This already suggests that **North America co-produces technology** but still **depends heavily on Asia for critical technology inputs**. NAICS 334, Computer and Electronic Product Manufacturing, includes computers, communications equipment, semiconductors, and related electronic components, all of them **essential to the region's digital economy and economic security.**

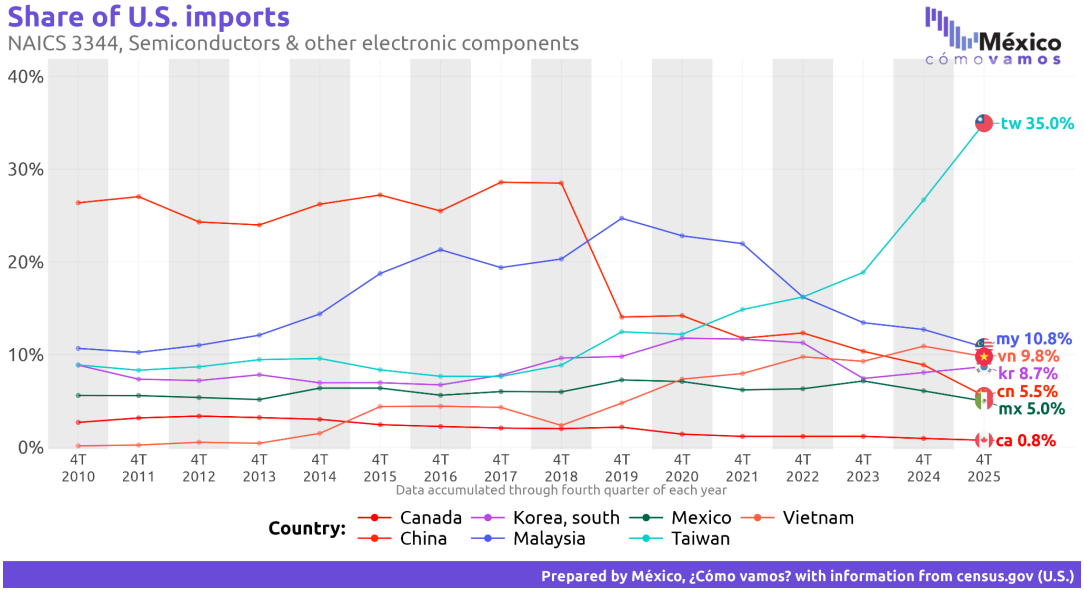




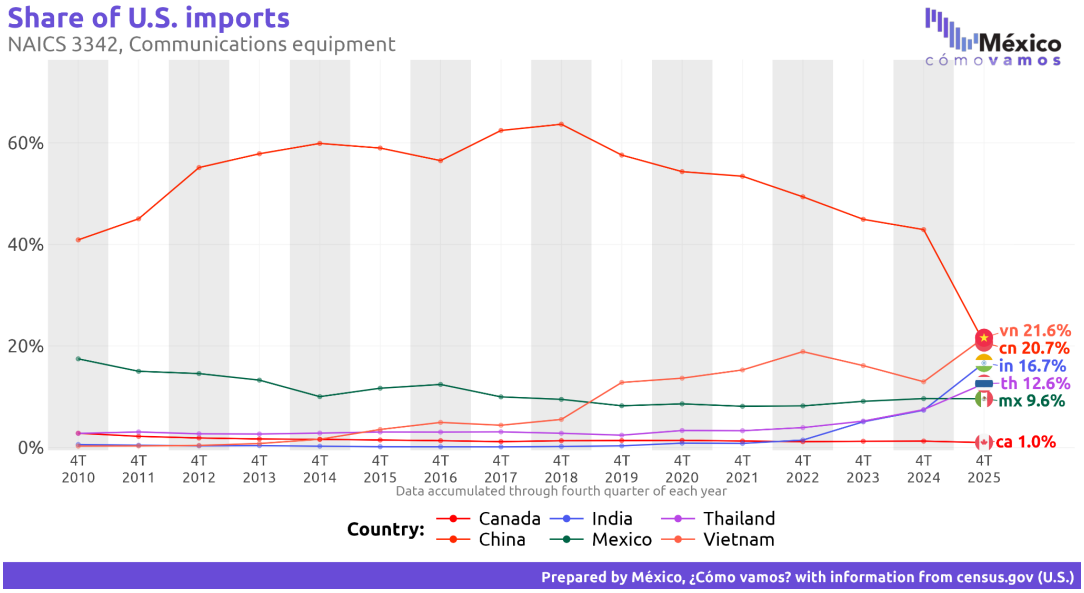
Zooming in further, the regional picture is strongest in NAICS 3341, **Computer equipment**. In this 4-digit classification, **Mexico and Taiwan are nearly tied as suppliers to the U.S.**, with shares of 34.4% and 32.6%, respectively, suggesting that North America has already built meaningful productive capacity in a key segment of the digital economy.



The **vulnerability** becomes clearer in **NAICS 3344, Semiconductor and other electronic component manufacturing, where Taiwan accounts for 35% of U.S. import**s, followed by Malaysia with 10.8% and Vietnam with 9.8%.



Asia's dependence also stands out in NAICS 3342, Communications equipment, where a clear **substitution pattern away from China toward Vietnam, India, and Thailand** is evident, while Mexico ranks fifth as a supplier to the United States. That shift matters because it suggests that **recent tariff actions have reshuffled sourcing within Asia more than they have relocated production to North America.** In other words, the region remains exposed not only to **Asian manufacturing dependence** but also to **long and vulnerable supply routes**.



Those routes are an **economic-security** issue. Many of the chips and electronics that power U.S. manufacturing reach North America through the **Taiwan Strait, the South China Sea**, and, in the case of Malaysia, often through the **Strait of Malacca** before reaching U.S. ports. These are not ordinary trade lanes; they are strategic **chokepoints**. The Strait of Malacca carried 23.7% of global seaborne trade volume in 2023 (UNCTAD). **Heavy reliance** on these **Asian production hubs and maritime corridors** leaves both the United States and North America exposed to geopolitical disruption (CSIS, and USITC).

Reducing this dependence requires a product-level diagnosis first. North America needs to identify **which critical inputs are still sourced primarily from Asia**, especially in semiconductors, communications equipment, and other advanced electronics, and then **invest in building those capabilities within the region**. That is where **USMCA matters**; it can serve not only as a trade agreement but **as a platform for deeper co-production in computer and electronics manufacturing**. The strategic bet is not simply to shift sourcing from one Asian supplier to another but **to build regional capacity in the critical products that underpin resilient supply chains and North American economic security.**

THE NORTH American PROJECT

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