



Six Years Later: Rosy USMCA Promises Meet Reality

*U.S. Trade Deficit with Mexico and Canada
Up and Job Offshoring Continues, Marginal
Gains in Worker Protections and
Agricultural Exports*



AMERICAN
ECONOMIC
LIBERTIES
PROJECT

Katie Hettinga

Daniel Rangel

Lori Wallach

March 2026

The authors thank Madeline Morrow for
her contribution to this report.

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Executive Summary

A careful review of the U.S.-Mexico-Canada Agreement's (USMCA) outcomes shows that the USMCA has not delivered on its core promises: balanced trade, broad-based U.S. manufacturing job growth, or an end to the race to the bottom in North American wages.

The “incredible” USMCA was “the most important trade deal we’ve ever made by far,” President Donald Trump said of his greatest first-term trade achievement.¹ A July 1, 2026, deadline looms for the signatory countries to complete a first mandatory review, which is required by one of the pact’s innovative terms: USMCA has a 16-year term and sunsets on July 1, 2036, unless the countries affirmatively agree to extend it beyond that date, including with changes they may negotiate between now and 2036.

Based on the USMCA outcomes Trump promised, today, the United States should have more balanced trade with its North American partners, more manufacturing employment, and improved outcomes for U.S. poultry and dairy farmers. **USMCA has not delivered on most of those goals. The U.S. trade deficit with USMCA partners is notably larger, and offshoring to Mexico continued. Instead of the promised boom, U.S. auto sector employment at the end of 2025 was slightly lower than before USMCA.² U.S. manufacturing employment was down overall, with 91,000 jobs lost from the start of Trump’s second term through the end of 2025.³ The U.S. trade deficit in agriculture and food with Mexico and Canada increased under USMCA, but the deal did deliver increased export volumes that Trump promised for several U.S. agricultural sectors.**

While the USMCA improved on the North American Free Trade Agreement (NAFTA) in important ways, it fell far short of the necessary structural reforms: Key offshoring incentives were not remedied, including widescale wage suppression in Mexico. As well, despite USMCA’s tighter rules of origin, non-member nations’ companies have continued to gain duty-free access into the U.S. market using USMCA. **This report provides the first detailed documentation of trade flows and labor outcomes of the deal, which shows it has failed to meet most of the goals and outcomes that Trump promised Americans when he launched it in 2020.**

The Trump administration as well as American unions and civil society groups have explicitly stated that the deal should not be extended *as-is* for another 16-year term.⁴ The evidence

¹ Donald Trump, “Remarks by President Trump on the United States-Mexico-Canada Agreement,” White House Archives, October 1, 2018, <https://trumpwhitehouse.archives.gov/briefings-statements/remarks-president-trump-united-states-mexico-canada-agreement/>.

² U.S. Bureau of Labor Statistics, “Employment, Hours, and Earnings from the Current Employment Statistics Survey – Industry: Motor Vehicles and Parts,” accessed February 11, 2026, <https://data.bls.gov/timeseries/CES3133600101>.

³ U.S. Bureau of Labor Statistics, “Employment, Hours, and Earnings from the Current Employment Statistics Survey – Industry: Manufacturing,” accessed February 10, 2026, <https://data.bls.gov/timeseries/CES3000000001>.

⁴ “Ambassador Greer Reported to Congress on the Operation of the United States-Mexico-Canada Agreement,” Office of the U.S. Trade Representative, December 17, 2025, <https://ustr.gov/about/policy-offices/press->

compiled in this report shows that a major USMCA renegotiation, not modest tweaks or a simple extension, is necessary for the pact to deliver the promised benefits.

1. Trade Balance Outcomes: Deficits Deepened Instead of Promised Rebalance

- Contrary to Trump's pledge that USMCA would rebalance North American trade, the U.S. goods trade deficit with USMCA partners rose by 36.3% in real terms from 2019 to 2025.⁵ The large increase in the goods deficit meant the overall goods and services deficit also expanded significantly.
- The increase was driven by the widening U.S.-Mexico goods trade deficit, which grew by 47% over the same period. This imbalance reflects persistently suppressed Mexican wages, particularly in manufacturing. Our research reveals that Mexican wages in manufacturing industries remain roughly 40% lower than Chinese manufacturing wages and 88% lower than those in the United States.⁶
- The use of production in Mexico to gain duty-free access to the United States intensified after the imposition of China tariffs during Trump's first term: U.S. foreign direct investment (FDI) in Mexican manufacturing rose by 23% in 2024, with manufacturing accounting for 53% of total FDI.⁷ In parallel, Baker Institute researchers identified more than 200 Chinese manufacturing and infrastructure investments in Mexico, worth billions of dollars, by January 2025.⁸

2. U.S. Manufacturing Employment Did Not Grow Under USMCA: Initial Auto Manufacturing Jobs Gains Turned to a Small Net Loss while Overall Manufacturing Jobs Declined

- Trump promised that USMCA would create 80,000 new American auto manufacturing jobs.⁹ Today, there are 36,200 fewer jobs in the sector than when USMCA began. Total U.S. auto manufacturing employment increased by roughly 43,800 jobs between February 2020 (before COVID-related layoffs hit the sector) and April 2023, when

[office/press-releases/2025/december/ambassador-greer-reported-congress-operation-united-states-mexico-canada-agreement/](https://www.rethinktrade.org/office/press-releases/2025/december/ambassador-greer-reported-congress-operation-united-states-mexico-canada-agreement/); "Shared Priorities for the USMCA Review from 683 Labor & Civil Society Organizations," Rethink Trade, June 12, 2025, <https://rethinktrade.org/letters-filings/usmcareview/>.

⁵ Calculated using U.S. International Trade Commission, Data Web, "Domestic Exports" and "Imports for Consumption," accessed February 9, 2026, <https://dataweb.usitc.gov/>.

⁶ Daniel Rangel and Lori Wallach, "Closing the Gap: Evaluating Rapid Response Labor Mechanism Outcomes and Charting a Path Through the 2026 USMCA Review," Rethink Trade, September 25, 2025, <https://rethinktrade.org/closingthegaprrm/>.

⁷ Pamela Cruz, "Mexico Breaks Foreign Direct Investment Record: \$45.3 Billion in 2024, Highest Annual Total Since 2013," Mexican Press Agency, July 22, 2025, <https://mexicanpressagency.org/newsroom-posts/foreign-direct-investment/>.

⁸ Gabriel Collins, Tony Payan, and David A. Gantz, "Quantifying Investments in Mexico by China-Linked Entities," Rice University's Baker Institute for Public Policy, January 30, 2025, <https://www.bakerinstitute.org/research/quantifying-investments-mexico-china-linked-entities>.

⁹ Donald Trump, "Remarks by President Trump at a USMCA Celebration with American Workers | Warren, MI," White House Archives, January 30, 2020, <https://trumpwhitehouse.archives.gov/briefings-statements/remarks-president-trump-usmca-celebration-american-workers-warren-mi/>.

employment in the sector hit its post-USMCA peak. From 2022 to 2024, monthly U.S. auto sector employment averaged more than one million jobs, a level not seen since the early 2000s. This suggests that tighter USMCA auto rules of origin, alongside Biden-era industrial policy, supported job growth. However, during the second half of 2025, auto employment began to decline on a monthly basis with 951,000 auto manufacturing jobs in December 2025.¹⁰ That is 36,200 fewer U.S. auto jobs than when USMCA began.

- Under USMCA the overall number of U.S. manufacturing jobs has declined. In January 2026, there were 12.59 American manufacturing workers relative to 12.74 million in February 2020, before COVID-related manufacturing job loss began. By December 2024, U.S. manufacturing employment reached 12.69 million. But in the first 11 months of Trump's second term (February–December 2025), the U.S. lost 91,000 manufacturing jobs.¹¹ Mexico added roughly 700,000 manufacturing jobs since USMCA began.
- In the first two years of USMCA, from July 2020 to July 2022, the U.S. government certified that 41,357 U.S. workers lost jobs due to trade with Mexico and Canada.¹² Because Congress allowed the funding to lapse for the U.S. Department of Labor Trade Adjustment Assistance (TAA) program that certifies certain trade-related job losses, complete TAA data for the first six years of USMCA is not available.

3. Sectoral Manufacturing Trade Results Versus Trump Promises: Mixed at Best

- The U.S. steel trade balance improved after 2020, but the evidence indicates this was driven primarily by Section 232 tariffs, the Biden administration's "melted-and-poured" rule of origin requirements unrelated to USMCA, and softer global demand—rather than by USMCA rules. In particular, the combination of tariffs and stricter origin requirements, in a context of waning steel demand, constrained imports and enabled domestic producers to capture a larger share of the U.S. market.
- The autos and auto parts trade deficit with Mexico increased year-over-year from 2020 to 2024, but declined in 2025 after Section 232 tariffs were imposed on the sector. As a result, the U.S. autos and auto parts trade deficit with Mexico fell by 1.9% from 2019 to 2025 even as it remained over \$103 billion in 2025.

4. Agriculture: Exports Grew in Some Sectors as Trump Promised, but the U.S. Food Trade Deficits with Mexico and Canada Deepened Under USMCA

- Comparing pre-USMCA 2019 and the yearend 2025 data, the U.S. food trade deficit with Mexico and Canada grew 28.9% as imports outpaced exports. Food exports to USMCA partners grew 13.3%, but imports grew 18.4% over the same period.¹³

¹⁰ U.S. BLS, "Employment, Hours, and Earnings: Motor Vehicles and Parts."

¹¹ U.S. BLS, "Employment, Hours, and Earnings: Manufacturing."

¹² Calculated using U.S. Department of Labor, "Petitions and Determinations Data," accessed December 17, 2025, <https://www.dol.gov/agencies/eta/tradeact/data/petitions-determinations>.

¹³ Calculated using USITC DataWeb.

- Trump’s sector-specific promises largely materialized: Dairy exports to Canada and Mexico increased by about 45%, poultry exports to Canada grew by 47%, and egg exports to Canada jumped by 158%.
- These gains were outweighed by large deficits in Mexican fruits and vegetables and rising imports of beef and live cattle from Mexico and Canada, despite the United States being a major beef producer.
- The U.S. Department of Agriculture reported that the share of U.S. beef consumption sourced from imports from Mexico and Canada was higher in each of the last five years than any other year in the last 20 years, with a peak of 6.1% of U.S. beef consumption coming from Mexican and Canadian imports in 2022.¹⁴ Some U.S. beef trade associations calculate the share of consumption of imported beef and beef from imported cattle to be as high as 22%.¹⁵

5. Labor Enforcement: Real Gains for Some Specific Workers, but Mexican Wages Remain Below Chinese Levels, Revealing Structural Limits to Current USMCA Labor Provisions

- Between July 2020 and June 2025, the U.S. government initiated 37 cases using USMCA’s novel Rapid Response Mechanism (RRM) that enhances labor rights enforcement by targeting penalties at specific firms. These cases covered 36 facilities, primarily in the automotive and electronics sectors.¹⁶
- Thanks to the RRM cases, tens of thousands of workers benefited from reinstatements, transparent union votes, and better protections at the workplace. However, only 11 of 32 concluded cases resulted in new union representation or contracts. These gains occurred in the first years of USMCA. No new collective bargaining agreements resulted from cases in the last two years as our analysis revealed a worrying trend in cases being settled without meaningful redress before formal reviews were even completed.
- Half of the 32 concluded cases were closed as “resolved during review.” Companies that agreed to post information about labor rights or take other superficial measures avoided being bound to formal remediation plans or having their potential violations reviewed by an expert panel. Because the USMCA text does not include this option, it also does not define what consequences—if any—accrue. Thus, companies can avoid ongoing scrutiny, union-busting may go unaddressed, and there is no clear public record that workers’ rights were violated.

¹⁴ U.S. Department of Agriculture, Economic Research Service, “Cattle & Beef - Statistics & Information: U.S. Beef and Veal Imports from North America,” July 2, 2025, <https://www.ers.usda.gov/topics/animal-products/cattle-beef/statistics-information>.

¹⁵ Bill Bullard, “Weekly Address: Why Is Herd Shrinking Amid Record Beef Prices,” R-CALF USA, October 16, 2025, <https://www.r-calfusa.com/weekly-address-why-is-herd-shrinking-amid-record-beef-prices/>.

¹⁶ Rangel and Wallach, “Closing the Gap: Evaluating Rapid Response Labor Mechanism Outcomes.”

6. Rules of Origin: Too Weak to Stop Access into United States of Third-Country Import Value

- USMCA raised the rules of origin (ROOs), which set the conditions imported products must meet to receive preferential trade treatment, for some goods like autos. Under USMCA, only vehicles with at least 75% North American content, required regional steel and aluminum, and 45% of value produced at facilities paying at least \$16 per hour qualify for duty-free treatment. Compliance with USMCA auto ROOs declined after 2020, as firms chose to pay low most-favored nation tariffs (2.5% for passenger vehicles) instead of restructuring supply chains and raising wages to meet USMCA rules.¹⁷ But, ROO compliance increased dramatically after the administration imposed significant tariffs on non-USMCA compliant goods in 2025. In 2024, ROO compliance was below 50%. By September 2025, it was nearly 90%.
- But the Labor Value Content (LVC) rule did not raise Mexican auto wages significantly. Average Mexican auto wages in 2025 were \$5.70 per hour, while their U.S. counterparts made \$32.81 per hour on average in 2025.¹⁸
- Many critical manufacturing sectors—such as medical devices, electronics, and aircraft parts—retained weak tariff-line-shift rules. As a result, virtually all components of a product can be imported into Canada or Mexico from China or other countries, lightly assembled, and still qualify for USMCA's duty-free access to the United States. Under USMCA, roughly 20% of the value of Mexican exports to the United States consists of Chinese content,¹⁹ undermining USMCA's goal to boost regional supply chains and exclude content affected by non-market economy practices.

The USMCA improved on NAFTA but failed to deliver structural change and, in most instances, did not meet the outcomes that Trump promised. Americans need a deal that actually creates good-paying jobs, raises wages, rebalances trade, and improves our security and resilience. The mandatory 2026 review provides a key opportunity to make the significant improvements to the pact needed for it to deliver.

Introduction

During his first term, President Donald Trump initiated a renegotiation of the North American Free Trade Agreement (NAFTA) after repeated 2016 campaign threats to terminate it. Trump

¹⁷ Spencer Bowdle and Fariha Kamal, "Trade Compliance at What Cost? Lessons from USMCA Automotive Trade," *FEDS Notes*, Washington: Board of Governors of the Federal Reserve System, July 18, 2025, <https://doi.org/10.17016/2380-7172.3854>.

¹⁸ Independent Mexico Labor Expert Board, "Report: October 6, 2025," https://aflcio.org/sites/default/files/2025-10/IMLEB_REPORT_2025_10_06.pdf; U.S. Bureau of Labor Statistics, "National Average Hourly Earnings from the Current Employment Statistics Survey – Manufacturing: Motor Vehicles and Parts Manufacturing," accessed February 10, 2026, <https://www.bls.gov/iag/tgs/iagauto.htm>.

¹⁹ Enrique Dussel Peters, "21.2 Por Ciento, el Valor Agregado Chino de las Exportaciones Mexicanas a Estados Unidos," *La Jornada*, October 9, 2024, <https://www.jornada.com.mx/2024/10/09/opinion/018a1eco>.

celebrated the creation of the United States-Mexico-Canada Agreement (USMCA): “It is my great honor to announce that we have successfully completed negotiations on a brand-new deal to terminate and replace NAFTA and the NAFTA trade agreements with an incredible new US-Mexico-Canada Agreement, called ‘USMCA,’” Trump proclaimed.²⁰

The ultimate 2020 USMCA deal was an improvement on NAFTA. USMCA ended Investor-State Dispute Settlement with Canada and limited it significantly with Mexico, added stronger labor rights with an innovative facility-specific enforcement system, raised rules of origin for select products to counter non-North American content from benefiting from preferential access, and eliminated terms that limited countries’ rights to manage their own natural resources. But USMCA also added new privileges and powers for Big Tech with the most extreme “digital trade” constraints on data governance, artificial intelligence (AI) regulation, anti-monopoly legislation, and other policies of any trade pact globally. It also set new limits on food safety, did not remove certain special monopoly rights for Big Pharma that extend beyond global rules, and imposed new limits on public interest regulatory processes.

USMCA passed with strong bipartisan support. But many in Congress, labor, and civil society noted that while the USMCA set a new floor that every future U.S. trade pact must meet, it did not represent a model going forward. The pact maintained many features of past “neoliberal” free trade agreements and much of NAFTA’s text. Six years of USMCA results demonstrate that significant revisions and major improvements are necessary.

From NAFTA to NAFTA 2.0 to USMCA

Trump called NAFTA the worst trade deal ever and promised to withdraw from it, winning broad support among working-class Americans in the 2016 election. Trump signed a NAFTA 2.0 deal in 2018, but congressional Democrats would not enact it given concerns about insufficient protections for workers and new monopoly powers for pharmaceutical firms to raise medicine prices. Trump then renegotiated his NAFTA 2.0. That 2019 deal, which he named the USMCA, came into force on July 1, 2020.

USMCA terms require that by July 1, 2026—six years after its start—the signatory countries must complete a review that includes their decision whether to extend it as-is for another 16-year term, agree to revised terms, or start annual reviews and attempts to extend it until the pact ends on July 1, 2036. Requiring regular six-year reviews and an end date absent an affirmative decision to extend are good USMCA innovations relative to past U.S. trade pacts, which remained in effect indefinitely.

Trump called the USMCA “the most important trade deal we’ve ever made by far” and promised it would be “the most modern, up-to-date, and balanced trade agreement in the

²⁰ Trump, “Remarks by President Trump on the United States-Mexico-Canada Agreement.”

history of our country.”²¹ He claimed the agreement would create up to half a million American jobs and a minimum of 80,000 new auto manufacturing jobs.²² With many special provisions applicable only to the auto sector aimed at forcing more U.S. production, the USMCA shows that altering the terms of trade pacts can make a difference: There were 987,200 U.S. auto manufacturing employees in February 2020, before the COVID-related layoffs that hit the sector in the second quarter of that year. After the entry into force of the USMCA and the Biden-era electric vehicle industrial policy, this number peaked in April 2023 with 1,031,000 auto manufacturing jobs. This increase was slightly more than half of what Trump promised in 2020. From 2022 to 2024, the monthly average number of jobs in this sector was over one million for the first time since the early 2000s. However, since Trump’s return to the White House, U.S. auto jobs have declined markedly with the data from December 2025 showing 951,000 jobs. This is 36,200 fewer American auto sector jobs than before USMCA began.²³

The pact also did not deliver the promised increase in manufacturing jobs overall. And, many prominent examples of continuing job offshoring to Mexico—including John Deere, Mack Trucks, GM, GE, and more—eviscerated Trump’s claim the pact would end that trend, as BMW, Nissan, Honda, Ford, Audi, Daimler, Mazda, Toyota, and others build new factories in Mexico to make cars for sale in the United States. According to recent data from the Economic Commission for Latin America and the Caribbean, foreign direct investment *from the United States* into Mexico’s manufacturing sector grew by 23% in 2024, with U.S. firms’ investments in Mexican manufacturing accounting for 53% of the total.²⁴ From USMCA’s start date for just the two years of USMCA before Congress allowed the funding of the Trade Adjustment Assistance program to lapse, 41,357 U.S. workers were certified for trade-related job losses related to Mexico and Canada.²⁵

Thus, with overall USMCA results not meeting key Trump 2024 campaign promises, he committed to renegotiate the USMCA.²⁶ On September 7, 2025, the U.S. Trade Representative

²¹ Donald Trump, “Remarks by President Trump on the United States-Mexico-Canada Agreement,” White House Archives, October 1, 2018, <https://trumpwhitehouse.archives.gov/briefings-statements/remarks-president-trump-united-states-mexico-canada-agreement/>.

²² Donald Trump, “Remarks by President Trump at a USMCA Celebration with American Workers | Warren, MI,” White House Archives, January 30, 2020, <https://trumpwhitehouse.archives.gov/briefings-statements/remarks-president-trump-usmca-celebration-american-workers-warren-mi/>; Donald Trump, “Remarks by President Trump at the Economic Club of New York | New York, NY,” White House Archives, Nov. 12, 2019, <https://trumpwhitehouse.archives.gov/briefings-statements/remarks-president-trump-economic-club-new-york-new-york-ny/>.

²³ U.S. Bureau of Labor Statistics, “Employment, Hours, and Earnings from the Current Employment Statistics Survey – Industry: Motor Vehicles and Parts,” accessed December 17, 2025, <https://data.bls.gov/timeseries/CES3133600101>.

²⁴ Pamela Cruz, “Mexico Breaks Foreign Direct Investment Record: \$45.3 Billion in 2024, Highest Annual Total Since 2013,” Mexican Press Agency, July 22, 2025, <https://mexicanpressagency.org/newsroom-posts/foreign-direct-investment/>.

²⁵ Calculated using U.S. Department of Labor, “Petitions and Determinations Data,” accessed December 17, 2025, <https://www.dol.gov/agencies/eta/tradeact/data/petitions-determinations>.

²⁶ Donald Trump, “Donald Trump Addresses the Detroit Economic Club,” Roll Call, October 10, 2024, <https://rollcall.com/factbase/trump/transcript/donald-trump-speech-detroit-economic-club-october-10-2024/>.

(USTR) launched the domestic process for the six-year review. Imported goods that meet USMCA rules largely remain duty-free as an exception to the second-term Trump tariffs.

This report covers jobs and trade flow results in the first six years of the USMCA. We measured outcomes against the status quo ante, against Trump's USMCA promises, and against the goals congressional Democrats set when they forced Trump to renegotiate his 2018 NAFTA 2.0.

Based on Trump's promises for the USMCA, today, the United States should have more balanced trade with its North American partners, more manufacturing employment, and improved outcomes for certain agricultural producers like poultry and dairy farmers. Congressional Democrats who forced inclusion of improved labor terms sought a shift away from company-controlled protection unions to independent unions that would represent workers' interests in Mexico and raise manufacturing wages with benefits for workers throughout the continent. While there have been gains in certain agricultural exports, the USMCA has not delivered on Trump's core jobs, manufacturing, or trade balance promises or Democrats' goals broadly.

A major renegotiation is necessary for the pact to deliver the promised benefits to U.S. workers, farmers, small businesses, and consumers—and to foster shared prosperity across the region. A renegotiated USMCA must end the race to the bottom in wages and pollution standards and lift up workers across all three countries, promoting a high-road model of economic integration for North America. See Rethink Trade's public submission to USTR for specific recommendations.²⁷

USMCA Has Not Delivered Balanced Regional Trade as the U.S. Trade Deficit with Mexico Deepened Significantly Since 2020

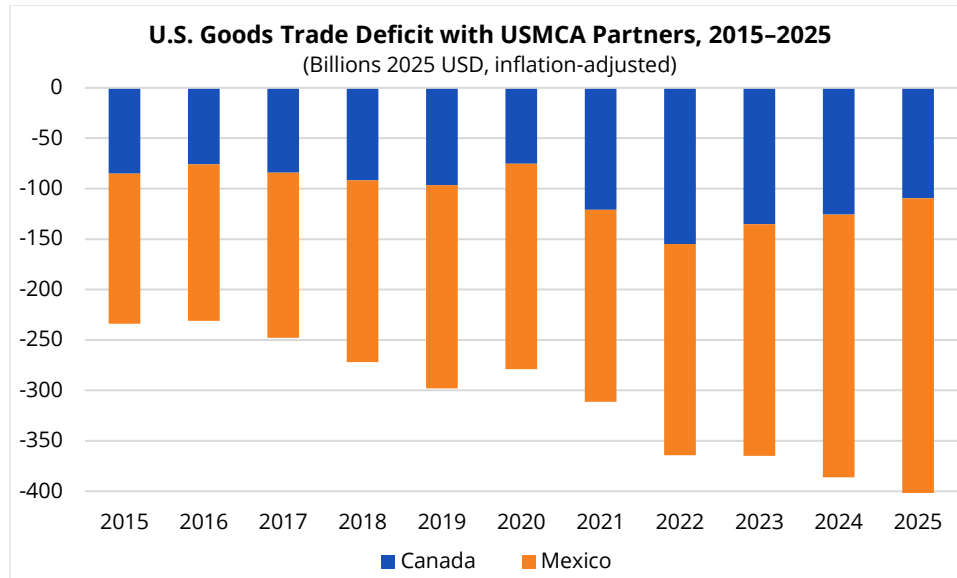
The United States has had a bilateral goods trade deficit with Mexico each year since 1995,²⁸ the year after NAFTA went into effect, and a bilateral goods trade deficit with Canada each year since at least 1985.²⁹ During USMCA talks, Trump lamented "trade deficits totaling more than \$2 trillion" with Canada and Mexico since NAFTA's start.³⁰ But contrary to Trump's promises, the USMCA did not reverse the trend of ever-expanding U.S. trade deficits.

²⁷ Rethink Trade, "Written Comments from Rethink Trade: Operation of the Agreement between the United States of America, the United Mexican States, and Canada," November 3, 2025, https://rethinktrade.org/wp-content/uploads/2025/11/USTR_Rethink-Trade_USMCA.pdf.

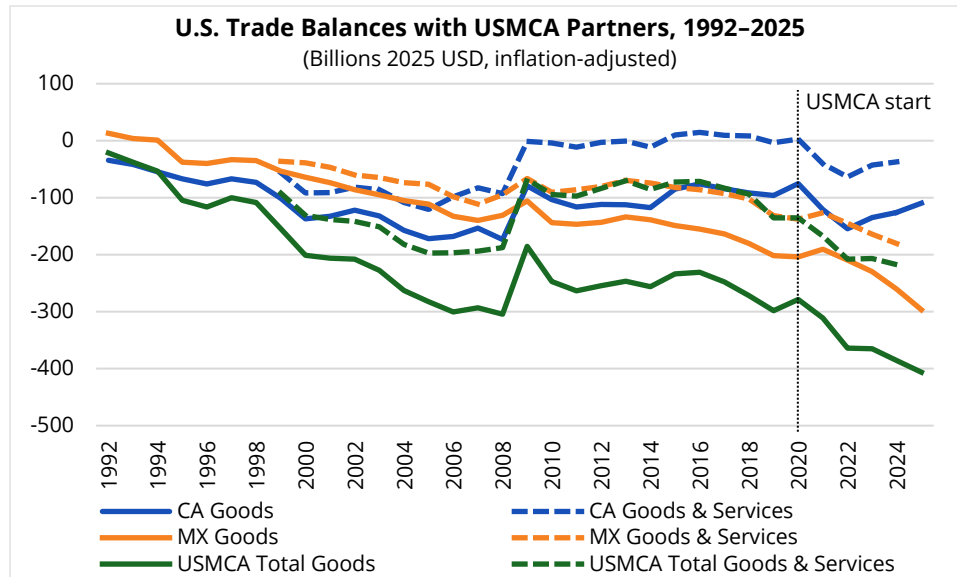
²⁸ U.S. Census Bureau, "Trade in Goods with Mexico," accessed December 17, 2025, <https://www.census.gov/foreign-trade/balance/c2010.html>.

²⁹ U.S. Census Bureau, "Trade in Goods with Canada," accessed December 17, 2025, <https://www.census.gov/foreign-trade/balance/c1220.html>.

³⁰ Trump, "Remarks by President Trump on the United States-Mexico-Canada Agreement."



Source: USITC DataWeb and U.S. Bureau of Labor Statistics.³¹

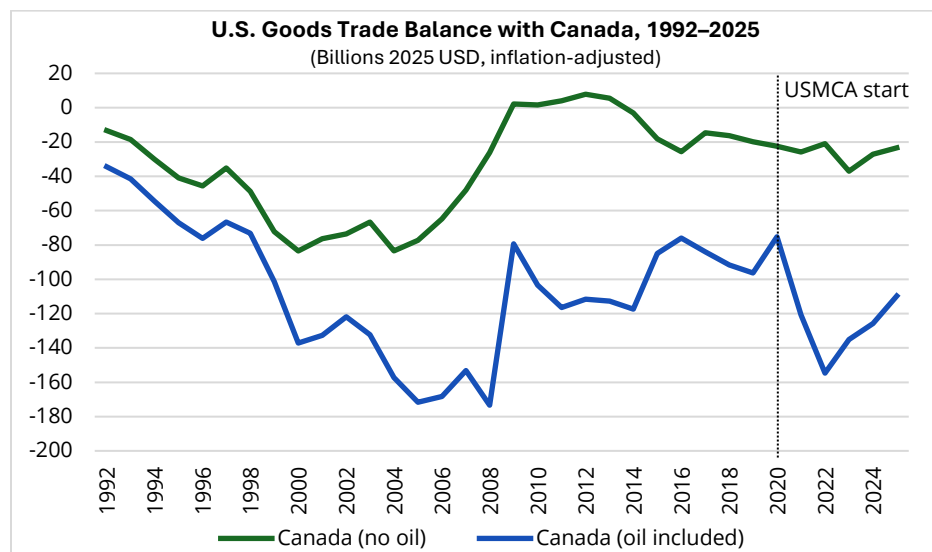


Source: USITC DataWeb, Bureau of Economic Analysis, and U.S. Bureau of Labor Statistics.³²

³¹ Goods trade balances calculated using U.S. International Trade Commission, Data Web, “Domestic Exports” and “Imports for Consumption,” accessed February 9, 2026, <https://dataweb.usitc.gov/>; adjusted for inflation to December 2025 USD using U.S. Bureau of Labor Statistics, “Consumer Price Index for All Urban Consumers,” retrieved from FRED, Federal Reserve Bank of St. Louis, February 9, 2026, <https://fred.stlouisfed.org/series/CPIAUCSL>.

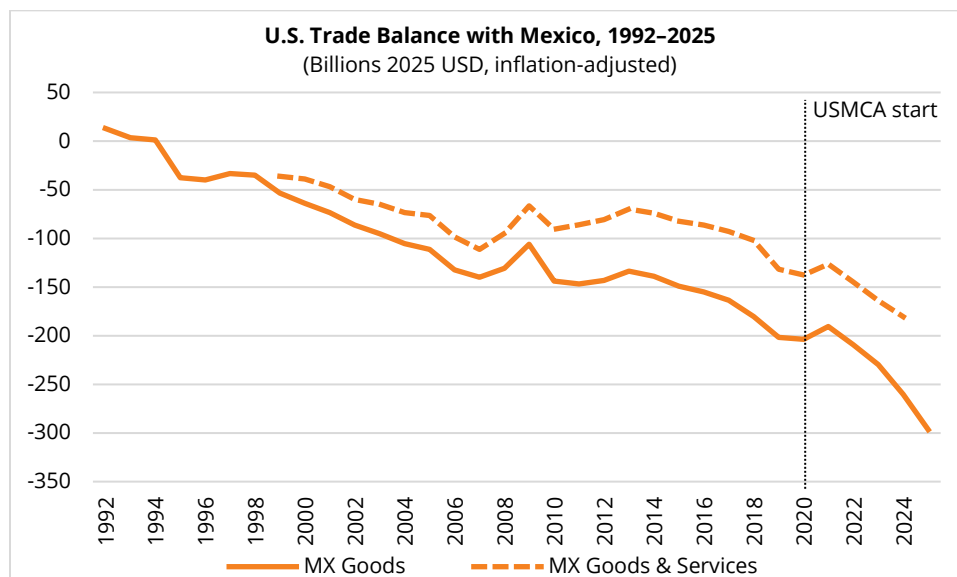
³² Goods trade balances calculated using U.S. International Trade Commission, Data Web, “Domestic Exports” and “Imports for Consumption,” accessed February 9, 2026, <https://dataweb.usitc.gov/>; goods and services balances from Bureau of Economic Analysis, “U.S. Trade in Goods and Services by Selected Countries and Areas,” accessed February 9, 2026, <https://www.bea.gov/data/intl-trade-investment/international-trade-goods-and-services>; adjusted for inflation to December 2025 USD using U.S. Bureau of Labor Statistics, “Consumer Price Index for All Urban Consumers,” retrieved from FRED, Federal Reserve Bank of St. Louis, February 9, 2026, <https://fred.stlouisfed.org/series/CPIAUCSL>.

When oil is excluded, the United States has nearly balanced goods trade with Canada:



Source: USITC DataWeb and U.S. Bureau of Labor Statistics.³³

Conversely, the U.S. goods trade with Mexico is deeply imbalanced. The bilateral deficit grew by \$94.9 billion (in 2025 inflation-adjusted dollars) from 2019 to 2025 -- a 47% increase:



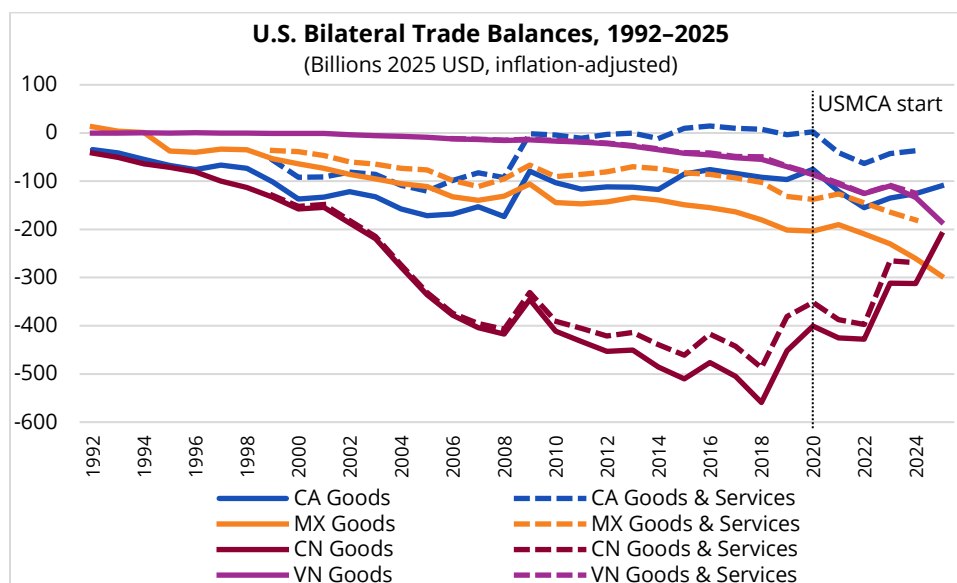
Source: USITC DataWeb, Bureau of Economic Analysis, and U.S. Bureau of Labor Statistics.³⁴

³³ Goods trade balances calculated using USITC Data Web, "Domestic Exports" and "Imports for Consumption." Goods under HTS chapter 27 excluded to calculate balance without oil exports and imports. Adjusted for inflation to December 2025 USD using U.S. BLS, "Consumer Price Index for All Urban Consumers."

³⁴ Goods trade balance calculated using USITC Data Web, "Domestic Exports" and "Imports for Consumption;" goods and services trade balance from BEA; adjusted for inflation to December 2025 USD using U.S. BLS, "Consumer Price Index for All Urban Consumers."

The imbalance is largely linked to the USMCA's failure to significantly raise Mexican wages in tradeable sectors, such that manufacturing wages there remain lower than in China. Staring in 2018, former Mexican President Andrés Manuel López Obrador and his MORENA party followed through on promises to raise Mexico's minimum wage. After eight consecutive increases, the 2026 minimum wage enacted by his successor, Claudia Sheinbaum, will result in cumulative real gains of 154% since 2018.³⁵ However, wages negotiated through collective bargaining—the core focus of the USMCA's labor reforms—have grown much more slowly. For instance, in 2024, unionized Mexican workers saw their largest nominal wage gains in two decades, yet real wages rose by only 2.2% year over year, underscoring the slow pace of meaningful improvement, particularly in export-oriented sectors such as manufacturing.³⁶

Consequently, Mexico—as well as comparably low-wage Vietnam—became offshore producers' favorite new venue for production destined for the U.S. market after Trump imposed tariffs on goods from China in his first term. Notably, from 2019 to 2025, the U.S. goods trade deficit with its USMCA partners increased by \$108.2 billion, and the U.S. goods trade deficit with Vietnam increased by \$114.7 billion. In the same period, the U.S. bilateral goods trade deficit with China *decreased* by \$241.6 billion (all figures are expressed in 2025 inflation-adjusted dollars):



Source: USITC DataWeb, Bureau of Economic Analysis, and U.S. Bureau of Labor Statistics.³⁷

³⁵ Brendan O'Boyle and Aida Pelaez-Fernandez, "Mexican Government Hikes Minimum Wage, Pushes Shorter Work Week," *Reuters*, December 3, 2025, <https://www.reuters.com/business/world-at-work/mexican-government-announces-13-minimum-wage-increase-2025-12-03/>.

³⁶ Gerardo Hernández, "Salarios Contractuales Alcanzaron en 2024 el Crecimiento Real Más Alto en Dos Décadas," *El Economista*, January 15, 2025, <https://www.eleconomista.com.mx/capital-humano/2024-salarios-contractuales-alcanzaron-crecimiento-real-alto-dos-decadas-20250115-742129.html>.

³⁷ Goods trade balance calculated using USITC Data Web, "Domestic Exports" and "Imports for Consumption;" goods and services trade balance from BEA; adjusted for inflation to December 2025 USD using U.S. BLS, "Consumer Price Index for All Urban Consumers."

On the one hand, this shift in trade flows lowers U.S. dependency on Chinese imports. It may reflect a growing trend in “nearshoring” or “friendshoring” with companies seeking low-wage manufacturing venues in an attempt to derisk their China exposure and avoid U.S. tariffs on Chinese goods. However, that imports into the United States from Mexico and Vietnam have surged as Chinese imports declined reflects a core ongoing problem: Mexico’s wages remain extremely low—only slightly higher than in Vietnam and 40% lower than those in China.³⁸ Artificially depressed wages in Mexico are likely a key driver of the widening bilateral trade deficit with the United States. Not only do extremely low wages drive decisions to invest in production capacity in nearby Mexico, but higher wages would strengthen Mexico’s domestic market and, in turn, increase demand for U.S. exports. Addressing the wage gap must be a key outcome of the review.

Moreover, as noted below, the USMCA’s rules of origin (although better than those of NAFTA in many regards) still provide duty-free access for imports into the United States of goods with significant Chinese and other third-country content. For instance, according to one recent study, about a fifth of Mexican exports’ value was Chinese content.³⁹

Another growing concern is increasing investment by Chinese companies in Mexico to use USMCA as an export platform to evade U.S. tariffs on Chinese goods.⁴⁰ The Baker Institute published a working paper in January 2025 which found over 200 Chinese manufacturing and infrastructure investments in Mexico worth billions of dollars.⁴¹

Plus, a September 2025 Brookings study found evidence for illegal transshipment of Chinese products via Mexico in power transformers, iron and steel, and auto parts.⁴² Accordingly, the USMCA countries must address these gaps through the review process, including by aligning standards for foreign investment review and—as explained in detail in a later section—strengthening the pacts’ rules of origin.

³⁸ Daniel Rangel and Lori Wallach, “Closing the Gap: Evaluating Rapid Response Labor Mechanism Outcomes and Charting a Path Through the 2026 USMCA Review,” Rethink Trade, September 25, 2025, <https://rethinktrade.org/closingthegaprrm/>.

³⁹ Enrique Dussel Peters, “21.2 Por Ciento, el Valor Agregado Chino de las Exportaciones Mexicanas a Estados Unidos,” *La Jornada*, October 9, 2024, <https://www.jornada.com.mx/2024/10/09/opinion/018a1eco>.

⁴⁰ Christine Murray, Nassos Stylianou, Irene de la Torres, and Dan Clark, “How China Is Setting Up Shop in Mexico,” *Financial Times*, December 16, 2024, <https://ig.ft.com/china-mexico-tariffs/>.

⁴¹ Gabriel Collins, Tony Payan, and David A. Gantz, “Quantifying Investments in Mexico by China-Linked Entities,” Rice University’s Baker Institute for Public Policy, January 30, 2025, <https://www.bakerinstitute.org/research/quantifying-investments-mexico-china-linked-entities>.

⁴² Joshua P. Meltzer and Maricarmen Barron Esper, “Is China Circumventing US Tariffs via Mexico and Canada?,” Brookings Institution, September 23, 2025, <https://www.brookings.edu/articles/is-china-circumventing-us-tariffs-via-mexico-and-canada/>.

USMCA Did Not Significantly Improve Trade Balances in Key Manufacturing Sectors

Trump said the USMCA would help the United States reclaim “a very proud heritage as a manufacturing nation again.”⁴³ Looking at trade with Mexico and Canada in four key sectors—steel, aluminum, automobiles and auto parts, and aerospace—the results are, at best, mixed.

The United States has increased its pre-USMCA surpluses with Mexico in steel and aerospace and maintained similar surplus levels in aluminum. At the same time, its deficit with Mexico in autos and with Canada in steel and aluminum continued to widen through 2024 before narrowing in 2025. The United States has had a surplus in automobile trade with Canada most years since 2021 and a deficit with Canada in aerospace trade since 2023.

The data suggest that, since 2020, the United States has reversed its deficit in trade in steel and, by 2025, turned into a surplus. This development is more likely related to the adoption of Section 232 tariffs and a softening demand for steel products in 2023 and 2024, amid persistent inflation and higher interest rates, rather than specific changes in regional trade patterns triggered by the USMCA.⁴⁴ Moreover, the adoption of melted-and-poured rules of origin for steel under the Section 232 tariff scheme could have contributed to declining imports from Mexico in 2024. Conversely, the declining trade balance in autos and auto parts continued, jumping from \$81.2 billion in 2019 to \$103.6 billion in 2025 in inflation-adjusted terms. This means that auto rules of origin covering regional value content and labor value content have not promoted more balanced trade in the sector.

The North American Steel Market: An Early Experiment of Higher External Tariffs and Strengthened Rules of Origin

While the auto sector was a central focus of the USMCA negotiations, new rules governing regional trade in steel have largely been shaped outside of USMCA. This is largely a result of the first Trump administration decision to impose Section 232 tariffs on steel and aluminum imports in March 2018. Under Section 232 of the U.S. Trade Expansion Act of 1962, the president is authorized to impose tariffs or other trade restrictions if the Secretary of Commerce determines that imports threaten national security. Acting under this authority, the Trump administration imposed tariffs of 25% on steel and 10% on aluminum imports.

⁴³ Trump, “Remarks by President Trump at a USMCA Celebration with American Workers | Warren, MI.”

⁴⁴ “Inflation, Interest Rates Slowing Steel Consumption,” *American Machinist*, October 18, 2023, <https://www.americanmachinist.com/news/article/21275709/inflation-interest-rates-forecast-to-slow-steel-consumption-world-steel-assn-sro-october-2023>.

These tariffs initially applied to Canada and Mexico, but in May 2019, following negotiations parallel to—but separate from—the USMCA talks, the United States granted both countries exemptions. As a result, Canadian and Mexican steel was again able to enter the U.S. market primarily duty-free, subject to monitoring mechanisms rather than tariffs.⁴⁵

During the remainder of the Trump administration, most other trade partners remained subject to the Section 232 tariffs. Beginning in late 2021, however, the Biden administration negotiated alternative arrangements—including the European Union (December 2021), Japan (March 2022), and the United Kingdom (March 2022)—that replaced blanket tariffs with tariff-rate quotas or conditional exemptions. While these arrangements facilitated increased market access for steel from these economies, the Section 232 framework continued to function as a protective regime for the U.S. steel market.

Against this backdrop, the Biden administration moved to address concerns that duty-free steel imports from Mexico could circumvent the Section 232 regime by relying on steel that was melted and poured outside North America, minimally transformed in Mexico, and then exported duty-free to the United States. This led to the adoption in 2024 of a melted-and-poured rules of origin requirement for Mexican steel products to qualify for duty-free entry to the United States. Under this policy, steel from Mexico is exempt from Section 232 tariffs only if it is melted and poured in North America. Importantly, this requirement operates outside and independently of the USMCA rules of origin for steel products.

Arguably, the Section 232 regime has been far more influential in shaping the evolution of the North American steel market than the USMCA itself. Since the imposition of Section 232 tariffs, the share of U.S. steel consumption that is met with imported steel has declined markedly—from about 32.6% in 2017⁴⁶ to roughly 18% in 2025.⁴⁷ Moreover, both Mexico and Canada have reinforced this inward shift by raising their own import duties on non-North American steel. Mexico has increased tariffs on steel products imported from non-free-trade-agreement (FTA) partners, while Canada has imposed additional tariffs specifically targeting Chinese steel. Despite these measures, a significant share of steel imports entering both the Canadian and Mexican markets still originates outside North America. Thus, the USMCA review provides an opportunity to integrate the Section 232 regime with the pact's rules to adopt common higher external tariffs in steel and unified strong rules of origin, as the United Steelworkers and industry trade association American Iron and Steel Institute have proposed.⁴⁸

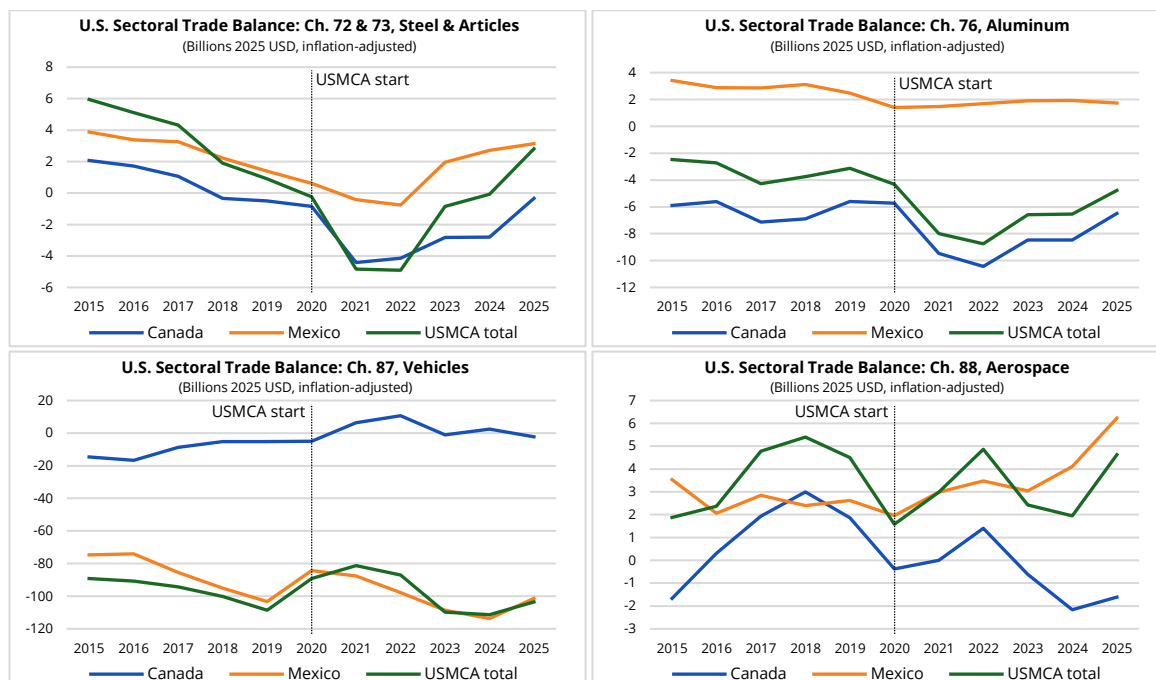
⁴⁵ “United States Announces Deal with Canada and Mexico to Lift Retaliatory Tariffs,” Office of the U.S. Trade Representative, May 17, 2019, <https://ustr.gov/about-us/policy-offices/press-office/press-releases/2019/may/united-states-announces-deal-canada-and>.

⁴⁶ “Global Steel Trade Monitor – Steel Imports Report: United States,” International Trade Administration, March 2018, <https://legacy.trade.gov/steel/countries/pdfs/2017/annual/imports-us.pdf>.

⁴⁷ “Finished Steel Import Market Share,” American Iron and Steel Institute, February 19, 2026, <https://www.steel.org/2026/02/steel-imports-down-12-6-in-2025/>.

⁴⁸ American Iron and Steel Institute, “Comments on the Operation of the Agreement Between the

Finally, in aerospace, the United States has maintained a regional surplus. However, there is evidence of supply-chain offshoring in this sector following USMCA's entry into force. Between July 2020 and June 2022, 17 TAA petitions documenting trade-related job loss — covering 4,755 American jobs—identified Canada or Mexico as the country to which the jobs were lost and referenced “aerospace” or “aircraft” in the product description of the affected manufacturing facilities. This suggests that even this strategic sector remains vulnerable to offshoring absent stronger labor standards and rules of origin in the trade agreement. Notably, the sector experienced significant offshoring during NAFTA.



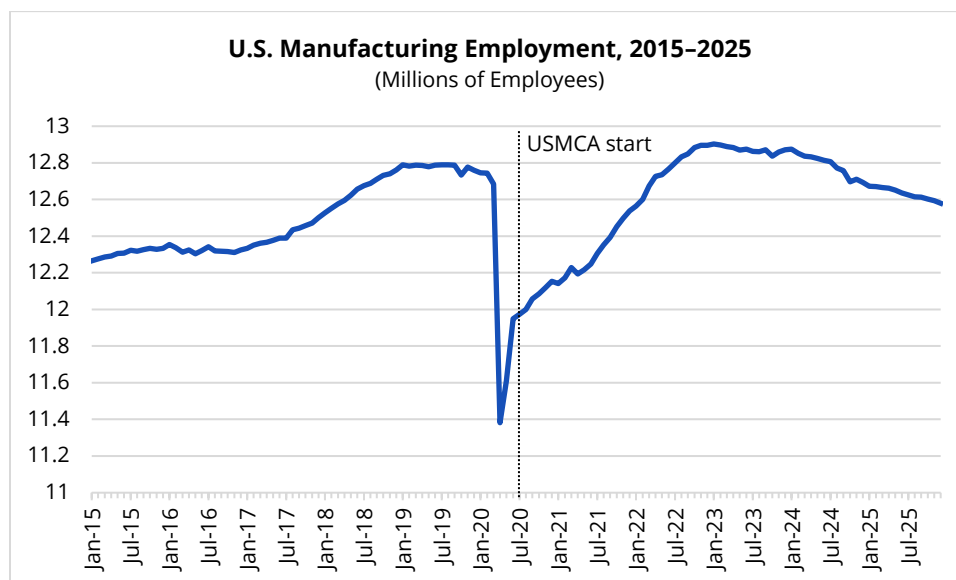
Source: USITC DataWeb and U.S. Bureau of Labor Statistics.⁴⁹

United States of America, the United Mexican States, and Canada,” October 31, 2025, <https://www.steel.org/wp-content/uploads/2025/10/AISI-Comments-on-Operation-of-the-USMCA-103125-FINAL.pdf>; see Labor Advisory Committee, “Labor Advisory Committee Comments on the Operation of the Agreement between the United States of America, the United Mexican States, and Canada (USTR-2025-0004),” October 29, 2025, <https://comments.ustr.gov/s/commentdetails?rid=WBP29Y7GR6>. From the Labor Advisory Committee submission: “The parties must address the economic and security threats posed by China, including by adopting common border measures to address unfairly traded electric vehicles, steel, and aluminum. USMCA cannot be a backdoor for the circumvention of our trade remedy laws.”

⁴⁹ Goods trade balances calculated using USITC Data Web, “Domestic Exports” and “Imports for Consumption; adjusted for inflation to December 2025 USD using U.S. BLS, “Consumer Price Index for All Urban Consumers.”

USMCA Has Not Delivered a Boom in American Manufacturing Jobs as Trump Promised: U.S. Industrial Jobs Declined by 91,000 in First 11 Months of His Second Term

U.S. manufacturing employment has not significantly increased under USMCA per Trump's promises. According to the U.S. Bureau of Labor Statistics, manufacturing employment fell from 12.74 million jobs in February 2020 (before COVID-related manufacturing job losses started) to 12.69 million in December 2024. Then, in the first year of Trump's second term (from February to December 2025), the United States lost 91,000 manufacturing jobs. Manufacturing employment declined from 12.67 million in February 2025 to 12.58 million in December 2025:



Source: U.S. Bureau of Labor Statistics.⁵⁰

It is worth noting that, in contrast to developments in the United States, Mexico added roughly 700,000 manufacturing jobs between 2019 and 2024. According to Mexico's census data, manufacturing employment increased from 6,493,020 jobs in 2019 to 7,190,294 in 2024.⁵¹ Given that approximately 84% of Mexico's non-oil exports are destined for the

⁵⁰ U.S. BLS, "Employment, Hours, and Earnings: Manufacturing."

⁵¹ Mexico publishes census data every five years. 2019 data from "Censos Económicos 2019: Establecimientos y Personal Ocupado Total Según Año de Inicio de Operaciones, Método de Captación y Tipo de Propiedad – Manufacturas," El Instituto Nacional de Estadística y Geografía (INEGI), last modified July 16, 2020, <https://www.inegi.org.mx/programas/ce/2019/>; 2024 data from "Censos Económicos 2024: Establecimientos y Personal Ocupado Total Según Año de Inicio de Operaciones, Método de Captación y Tipo de Propiedad –

United States,⁵² a substantial share of these jobs was undoubtedly created to serve the U.S. market. In the low-tariff environment that prevailed prior to 2025, it is likely that, absent a free trade agreement between the United States and Mexico, much of this production would have still been located in Mexico or other low-wage countries—such as Vietnam—rather than in the United States. At the same time, this trend underscores that significant production capacity was deployed in recent years that, under a different policy framework, could have contributed to manufacturing employment in the United States.

This is especially worth considering given U.S. manufacturing employment was heading in the right direction (if slowly) in 2021 and 2022. Then, after the highest rate of U.S. manufacturing construction investment in thirty years in 2023, the sector's overall growth and employment stalled a bit in the first quarter of 2023 and started declining since then. The gains that could have occurred from the combination of new USMCA auto rules of origin; the China tariffs enacted during the first Trump administration and maintained by Biden; and the Biden administration's extensive solar, electric vehicle (EV), battery, and microchips industrial policies were chilled by the high interest rates that prevailed in the U.S. economy since the end of 2022. For the purposes of this document, it is not possible to establish causation between the softening manufacturing job market, the USMCA, and these other trends. Yet the declining manufacturing employment trend worsened in 2025, even as interest rates began to decline. Other factors cloud the picture, such as the Trump administration gutting the most ambitious elements of Biden's industrial policies and manufacturing investment uncertainty related to changing tariff rates.

With respect to jobs lost to trade with Mexico and Canada, the U.S. government certified more than one million jobs lost due to NAFTA under the Trade Adjustment Assistance (TAA) program before the USMCA went into effect. The congressional authorization for TAA was allowed to lapse on July 1, 2022, meaning the Department of Labor can no longer accept petitions or provide training or income support for trade-affected workers who seek it. This, along with the petition filing requirements and possible lack of widespread knowledge of TAA benefits, makes it impossible to know how many U.S. workers have lost their jobs under the USMCA.

However, TAA petition data is available for the first two years of USMCA's operation.⁵³ From July 1, 2020, to June 30, 2022, there were 251 petitions filed which cited Canada and/or Mexico. Two hundred forty-nine of these petitions were certified as trade-related job losses, including 41,357 affected workers. This means that the wage gap and persistent labor rights enforcement shortcomings in Mexico have continued to encourage job offshoring. Data on investment trends also substantiate this conclusion. For instance, U.S. foreign direct investment into Mexico's manufacturing sector grew by 23% in 2024. The manufacturing

Manufacturas," El Instituto Nacional de Estadística y Geografía (INEGI), last modified September 5, 2025, <https://www.inegi.org.mx/programas/ce/2024/>.

⁵² "Censos Económicos 2024," INEGI.

⁵³ U.S. Department of Labor, "Petitions and Determinations Data."

industry was the leading recipient of foreign investment in Mexico, accounting for 53% of the total in 2024.⁵⁴

In the first two years of USMCA, 41,357 U.S. workers were certified by the U.S. Department of Labor as having lost jobs to trade with Mexico and Canada. The full number of U.S. workers that would qualify for Trade Adjustment Assistance due to USMCA job loss is not available because the program's funding lapsed. Data are only available from July 1, 2020, to June 30, 2022, during which 249 petitions were certified as Mexico and Canada trade-related job losses.

U.S. manufacturing facilities have continued relocating to Mexico under USMCA. For instance, in 2024, John Deere announced plans to move a manufacturing facility from Iowa to Mexico by the end of 2026.⁵⁵ Volvo Group, which makes Volvo and Mack semi-trucks, announced a new \$700 million truck factory in Mexico in 2024 while laying off up to 1,000 workers in Pennsylvania, Virginia, and Maryland plants.⁵⁶ As well, despite USMCA, major U.S. companies announced plans to stand up new production in Mexico to make vehicles for sale in the United States, including production lines that U.S. unions had been informed would be located domestically.⁵⁷ In 2021, GM announced over \$1 billion in investment for Mexican electric vehicle production. Tesla committed to building its next factory in Mexico in 2023.⁵⁸ GE Aerospace this year announced \$550 million to expand aircraft engine manufacturing facilities in Mexico.⁵⁹ Major U.S. retailers including Walmart and Amazon have expanded their sourcing and logistics operations in Mexico in recent years.⁶⁰

⁵⁴ Pamela Cruz, "Mexico Breaks Foreign Direct Investment Record: \$45.3 Billion in 2024, Highest Annual Total Since 2013," *Mexican Press Agency*, July 22, 2025, <https://mexicanpressagency.org/newsroom-posts/foreign-direct-investment/>.

⁵⁵ Matt Ott, "Struggling with Falling Demand for Farm Equipment, Deere & Co. Announces Nearly 600 Layoffs," *The Associated Press*, July 1, 2024, <https://apnews.com/article/john-deere-layoffs-agriculture-jobs-c7db7e8ed24cd2ecaf8343be3dec82d9>.

⁵⁶ "Volvo Picks Monterrey for \$700 Mln Mexico Truck Plant," *Reuters*, August 23, 2024, <https://www.reuters.com/business/autos-transportation/volvo-picks-monterrey-700-mln-mexico-truck-plant-2024-08-23/>; Jack Roberts and Deborah Lockridge, "Mack, Volvo Trucks Laying Off as Many as 1,000," *Heavy Duty Trucking*, April 28, 2025, <https://www.truckinginfo.com/10239576/mack-trucks-announces-layoffs>.

⁵⁷ Michael Wayland, "GM to Invest \$1 Billion in Mexico for Electric Vehicle Production, Angering UAW Members," *CNBC*, April 29, 2021, <https://www.cnbc.com/2021/04/29/gm-to-invest-1-billion-in-mexico-for-electric-vehicle-production.html>.

⁵⁸ Chris Isidore, "Tesla to Build Next Plant in Mexico," *CNN*, March 1, 2023, <https://www.cnn.com/2023/03/01/business/tesla-mexico-plant/index.html>.

⁵⁹ Teresa De Alba, "GE Aerospace to Invest MX\$550 Million in Mexico Expansion in 2025," *Mexico Business News*, Sept. 22, 2025, <https://mexicobusiness.news/aerospace/news/ge-aerospace-invest-mx550-million-mexico-expansion-2025>.

⁶⁰ Peter S. Goodman, "'OK, Mexico, Save Me': After China, This Is Where Globalization May Lead," *New York Times*, January 1, 2023, <https://www.nytimes.com/2023/01/01/business/mexico-china-us-trade.html>; "Amazon, Mercado Libre, Geodis Announce US\$1.2 Billion Investment," *Mexico Business News*, September 16, 2025,

During USMCA, the U.S. Food Trade Deficit with Mexico and Canada Grew, Promised U.S. Farmer Gains Did Not Materialize

Notably, the USMCA agricultural trade balance did not fare better than for other goods. The first Trump administration claimed that the USMCA would deliver major wins for U.S. farmers and ranchers, including significant increases in exports.⁶¹ In fact, exports of many commodities did increase substantially, including some products named by Trump when he signed the USMCA. But the U.S. food trade deficit with Mexico and Canada during USMCA grew \$6.4 billion from 2019 to 2025—an increase of 28.9%—from 2019 to 2025 when adjusted to December 2025 values. U.S. food exports to Canada and Mexico grew by 13.3% in the last five years while food imports from Canada and Mexico increased 18.4%.

The U.S. agricultural sector as a whole continues to struggle as the growth in U.S. farm bankruptcy filings demonstrates.⁶² The U.S. agriculture trade deficit with its USMCA partners and with the world is undoubtedly part of the problem. But so is consolidation in ag input and food processing sectors and related pricing challenges.⁶³ Plus, the repeal of Mandatory Country of Origin Labeling (MCOOL) for beef and pork means U.S. consumers lack the information necessary to choose to buy food that supports U.S. farmers and ranchers.⁶⁴

The U.S. food trade deficit with Mexico and Canada during USMCA grew 28.9% from 2019 to 2025 as import growth outpaced exports.

The Trump White House promised that the USMCA would deliver major wins for U.S. farmers and ranchers, including significant increases in exports. Trump specifically claimed that the USMCA would “grow annual [dairy] exports to our neighbors by an estimated \$315 million. Poultry exports to Canada are expected to rise by at least 50%, and egg export could increase by 500%.”⁶⁵ These commitments did, for the most part, materialize: Dairy exports to Canada and Mexico combined increased by \$913.5 million comparing 2019 to 2025 when adjusted for inflation to December 2025 values. Over the same period, poultry exports to

<https://mexicobusiness.news/trade-and-investment/news/amazon-mercado-libre-geodis-announce-us12-billion-investment>.

⁶¹ Donald Trump, “Remarks by President Trump at a Signing Ceremony for the United States-Mexico-Canada Trade Agreement,” White House Archives, January 29, 2020, <https://trumpwhitehouse.archives.gov/briefings-statements/remarks-president-trump-signing-ceremony-united-states-mexico-canada-trade-agreement/>.

⁶² Ryan Hanrahan, “Farm Bankruptcies Rising in 2025,” *Farm Policy News*, July 15, 2025, <https://farmpolicynews.illinois.edu/2025/07/farm-bankruptcies-this-year-already-exceed-2024-levels/>.

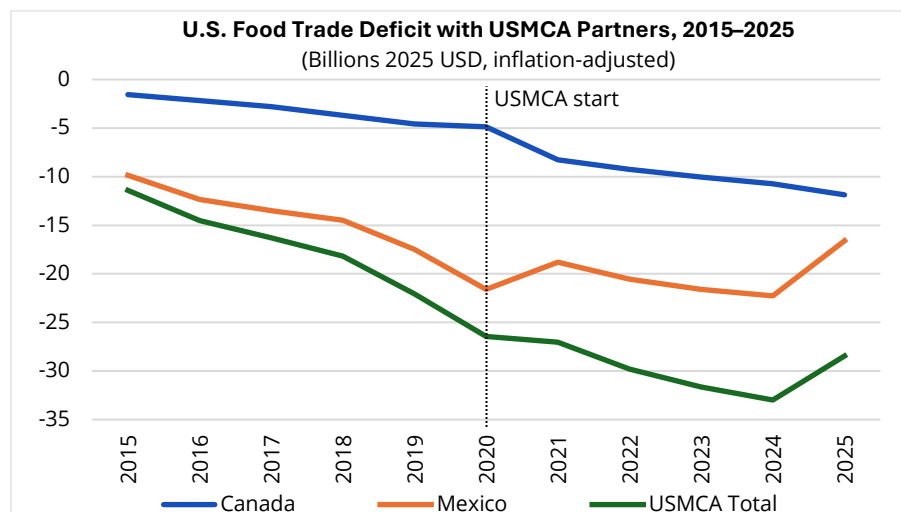
⁶³ Basel Musharbash, “‘Kings Over the Necessaries of Life’: Monopolization and the Elimination of Competition in America’s Agriculture System,” Farm Action Network, September 12, 2024, <https://farmaction.us/2024/09/12/farm-actions-comprehensive-report-reveals-monopolistic-corporate-control-over-americas-food-and-agriculture-system/>.

⁶⁴ Musharbash, “‘Kings Over the Necessaries of Life’”; Hanrahan, “Farm Bankruptcies Rising in 2025”; “Farm Action Urges Trade Officials to Reinstate Country-of-Origin Labels for Beef and Pork,” Farm Action Network, Nov. 3, 2025, <https://farmaction.us/farm-action-urges-trade-officials-to-reinstate-country-of-origin-labels-for-beef-and-pork/>.

⁶⁵ Trump, “Remarks by President Trump at a Signing Ceremony for the USMCA.”

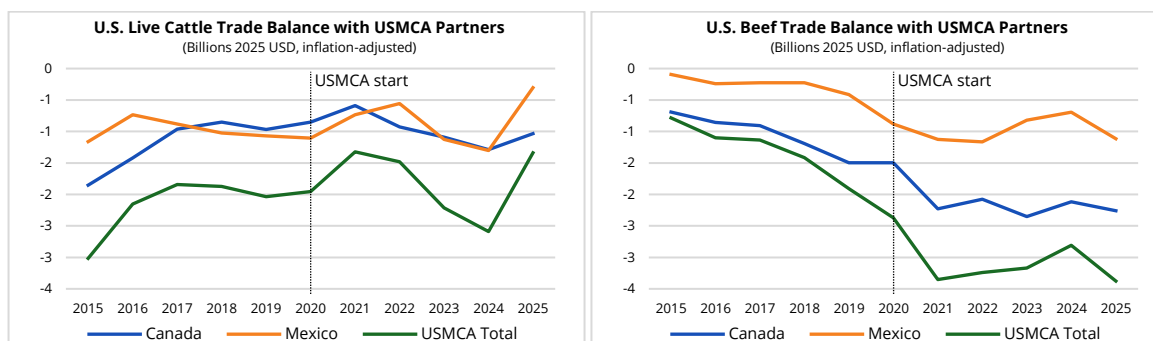
Canada increased by 47% including live birds. Egg exports to Mexico and Canada combined increased 40%. (Egg exports just to Canada increased 158%).⁶⁶

While food exports did increase, imports grew at a larger rate, meaning the U.S. food trade deficit with Mexico and Canada during USMCA increased 28.9% from 2019 to 2025:



Source: USITC DataWeb and U.S. Bureau of Labor Statistics.⁶⁷

With regards to food and agricultural trade with the largest U.S. trade partners, the most interesting trends occur where expectations do not match reality. It is unsurprising that the United States imports tropical products from Mexico. But, perversely, the “cowboy nation” has growing trade deficits in both live cattle *and* beef with *both* of its neighboring countries even as the United States remains the world’s largest beef producer:



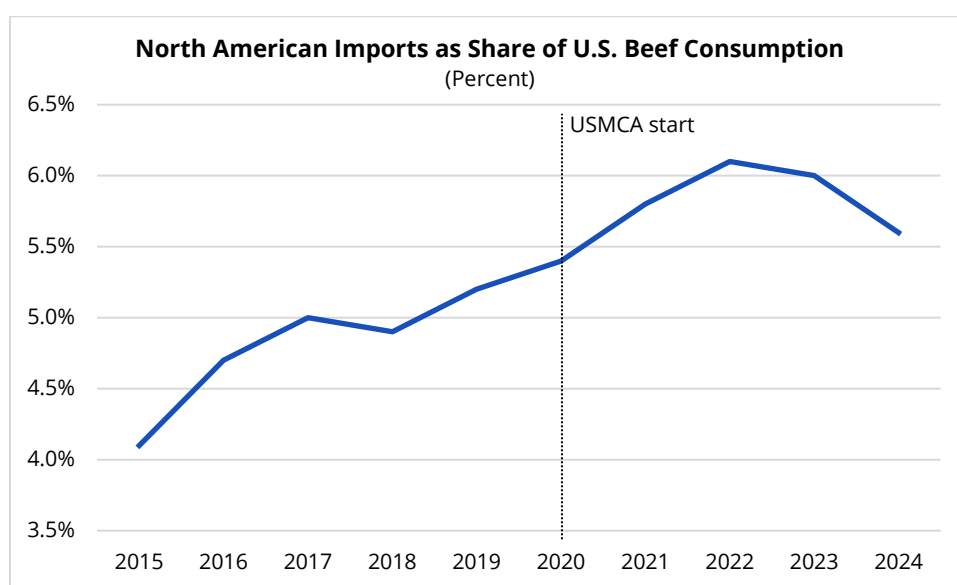
Source: USITC DataWeb and U.S. Bureau of Labor Statistics.⁶⁸

⁶⁶ Figures calculated using USITC DataWeb Domestic Exports data. Full list of HTS codes available upon request.

⁶⁷ Goods trade balances calculated using USITC Data Web, “Domestic Exports” and “Imports for Consumption; adjusted for inflation to December 2025 USD using U.S. BLS, “Consumer Price Index for All Urban Consumers.” Food HTS codes include HTS Chapters 1 through 22 less select non-food products, including live animals not primarily used for meat or other products; inedible animal or plant products; horticultural products; vegetable plaiting materials; industrial acids; and animal feed. Full list of HTS codes used available upon request.

⁶⁸ Goods trade balances calculated using USITC Data Web, “Domestic Exports” and “Imports for Consumption; adjusted for inflation to December 2025 USD using U.S. BLS, “Consumer Price Index for All Urban Consumers.” Relevant HTS codes include cattle and beef at the six-digit level. Full list available upon request.

The United States imported \$353.3 million more in beef products from Mexico in 2025 than in 2024 in real terms. The U.S. Department of Agriculture (USDA) reported that share of U.S. beef consumption sourced from imports from Mexico and Canada was higher in each of the last five years than any other year in the last 20 years, with a peak of 6.1% beef consumption coming from Mexican and Canadian imports in 2022. Some U.S. beef trade associations calculate the share of consumption of imported beef and beef from imported cattle to be as high as 22%.⁶⁹



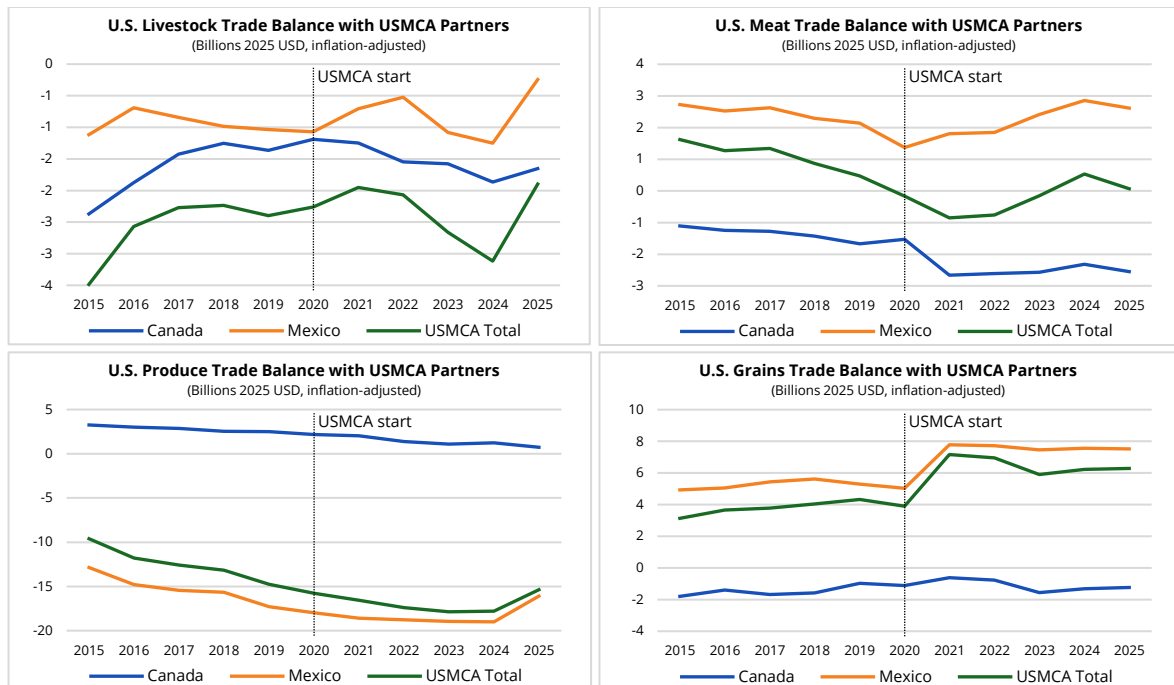
Source: U.S. Department of Agriculture.⁷⁰

More broadly, the United States has maintained bilateral trade surpluses with Mexico in meat (exports to Mexico of poultry and swine meat outweigh the deficit in beef) and cereals, including a large \$5.6 billion corn trade surplus. The United States also has a trade surplus with Canada in fruit and vegetables.

The United States has maintained large bilateral trade deficits with Mexico in fruit and vegetables—\$19 billion in 2024 and \$16.1 billion in 2025—and live cattle, although the deficit in cattle decreased by 77% from 2024 to 2025. The United States also has bilateral trade deficits with Canada in live cattle and swine, meat, and cereals.

⁶⁹ Bill Bullard, “Weekly Address: Why Is Herd Shrinking Amid Record Beef Prices,” R-CALF USA, October 16, 2025, <https://www.r-calfusa.com/weekly-address-why-is-herd-shrinking-amid-record-beef-prices/>.

⁷⁰ U.S. Department of Agriculture, Economic Research Service, “Cattle & Beef – Statistics & Information: Table 3b. U.S. Beef and Veal Imports from North America,” accessed February 9, 2026, <https://www.ers.usda.gov/topics/animal-products/cattle-beef/statistics-information>.



Source: USITC DataWeb and U.S. Bureau of Labor Statistics.⁷¹

In sum, despite large U.S. corn exports to Mexico and prepared foods and liquor exports to Canada, the U.S. food trade deficit with its USMCA partners continues to grow on Mexican exports of beef and vegetables and Canadian exports of beef and wheat, even as USMCA has delivered on promises made by Trump to poultry and dairy farmers, as noted above.

In order to level the playing field for U.S. farmers, the United States must address the market concentration and trade rules that have hobbled those who produce our food. Domestically, the administration must aggressively enforce existing laws, including the Robinson-Patman Act and the Packers and Stockyards Act to prevent discriminatory pricing and market power abuses, and restructure the U.S. trade advisory system to correct for overrepresentation of corporate interests. As an organization that does not represent farmers and producers, Rethink Trade recommends the following in the USMCA review:

- Reinststate MCOOL, with labels including information on where animals are born, raised, and slaughtered.
- Include all stages of production in food rules of origin.
- Alter the provisions in Chapter 19 and 20 of the USMCA so as not to interfere with right-to-repair laws.

⁷¹ Goods trade balances calculated using USITC Data Web, “Domestic Exports” and “Imports for Consumption; adjusted for inflation to December 2025 USD using U.S. BLS, “Consumer Price Index for All Urban Consumers.” HTS codes include HTS Chapters 1, 2, 7, 8, 10, and 11 less select non-food products, including live animals not primarily used for meat or other products; inedible animal or plant products; and animal feed. Full list available upon request.

Obscure USMCA Digital Trade and Copyright Rules Could Undermine the Right to Repair Farm Equipment

The USMCA includes digital trade and copyright rules that were largely crafted and favor big tech companies. One of these provisions, which is drily identified as “Source Code,” could prevent farmers and consumers of other technology-enabled devices from repairing their equipment. Laws protecting the right to repair have been introduced in all 50 states.⁷² Right-to-repair policies often require manufacturers to make available tools, parts, and information necessary for consumers and repairers to fix their electronic products, including modern farm equipment.

USMCA Article 19.16 bars governments from requiring corporations to share or disclose elements of the source code and algorithms underlying software products. And, the USMCA “Digital Trade” chapter defines an algorithm as “a defined sequence of steps, taken to solve a problem or obtain a result,” which could encompass software and software-based tools. This means that signatory countries are banned from requiring source code disclosure as a condition of a digital product’s sale or use, potentially thwarting laws which require manufacturers to share repair information since nowadays many common repair tools are software-dependent. A farmer may be able to find a used part for a tractor, but without software activation, the part will not be recognized or function.

As well, products with electronic features sometimes require repairers or owners to bypass digital locks in order to repair their products. Due to the undue expansion of copyright laws, circumvention of digital locks is usually considered a copyright violation. However, normally there are exceptions to this broad prohibition. Under USMCA Article 20.66, signatory countries are allowed to adopt exceptions for certain uses. However, this provision does not list the distribution of equipment repair, maintenance, and diagnostics as an allowable exception for digital lock circumvention. In practice, this system prevents the effective distribution of repair tools.

The 2026 USMCA review offers an opportunity for the United States to eliminate these barriers to the right to repair and deliver real relief to farmers nationwide.⁷³

⁷² Elizabeth Chamberlain, “Right to Repair Laws Have Now Been Introduced in All 50 US States,” iFixit, February 24, 2025, <https://www.ifixit.com/News/108371/right-to-repair-laws-have-now-been-introduced-in-all-50-us-states>.

⁷³ For more detail, see American Economic Liberties Project, Center for Democracy and Technology, Electronic Frontier Foundation, FULU Foundation, iFixit, Re:Create Coalition, The Repair Association, and U.S. PIRG, “Comments on the Operation of the Agreement between the United States of America, the United Mexican States, and Canada (USTR-2025-0004),” <https://rethinktrade.org/wp-content/uploads/2025/11/USTR-2025-AELP-USMCA.pdf>.

Groups that represent independent farmers and producers including Farm Action Network, the National Farmers Union, and R-CALF USA also recommend reinstating MCOOL. Rethink Trade also supports the following recommendations from R-CALF USA:⁷⁴

1. Establish a tariff-rate quote for beef to limit foreign-born beef imports from Canada and Mexico.
2. Impose a tariff on all live cattle imports.
3. Include beef from imported live cattle in official government calculations of import share of U.S. beef consumption.

Company-Specific Labor Enforcement Can Deliver Gains for Workers, but Key Improvements Are Required to Level the Playing Field and End the Race to the Bottom

The USMCA includes stronger labor standards compared to previous agreements and a novel new enforcement system intended to address the race to the bottom in wages and work conditions that the original NAFTA generated. This innovative legal tool, called the Rapid Response Mechanism (RRM), allows labor rights enforcement cases against specific facilities and companies, complementing the state-to-state dispute settlement mechanisms of older trade agreements that involved one government challenging another government. The USMCA also included specific commitments by Mexico to overhaul its labor relations system to establish independent federal and state labor courts, conciliation centers to help resolve labor disputes, and democratic union practices—including personal, direct, secret-ballot voting to approve collective bargaining agreements and elect union leadership. The 2019 reform has begun to transform labor relations in Mexico and allowed the RRM to emerge as a useful tool for independent unions to try to organize workers to fight for better wages.

Yet despite five years of the RRM's operation, the implementation of Mexico's historic labor reform, and several increases in the federal minimum wage, wages in Mexico remain suppressed. Deeply entrenched employer-aligned unions continue to represent many workplaces. The few independent unions have made only limited progress in narrowing the

⁷⁴ See Farm Action, "Request for Comments on the 2026 USMCA Joint Review (Docket USTR-2025-0004)," November 3, 2025, <https://comments.ustr.gov/s/commentdetails?rid=KCCQ72VD29>; National Farmers Union, "National Farmers Union Public Comment on the Operation of the Agreement Between the United States of America, the United Mexican States, and Canada (USTR-2025-0004)," November 3, 2025, <https://comments.ustr.gov/s/commentdetails?rid=2XMVMV7RRM>; and R-CALF USA, "R-CALF USA's Pre-hearing Submission in Docket No. USTR-2025-0005: Hearing on the Operation of the Agreement between the United States of America, the United Mexican States, and Canada," November 3, 2025, <https://comments.ustr.gov/s/commentdetails?rid=MJ2QQJWY7W>.

wage gap with the United States for the relatively small share of workers they represent. Thus, the USMCA review must deliver necessary changes to improve the Rapid Response Mechanism so that it can help to strengthen labor standards across North America, raise wages, and reverse decades of race-to-the-bottom trade-related U.S. job losses.

In September 2025, Rethink Trade published a first-of-its-kind comprehensive analysis of RRM cases decided under the USMCA during the first five years of its operation.⁷⁵

Between July 2020 and June 2025, the United States initiated 37 RRM cases targeting 36 facilities involving mining, call centers and air transport services, food, electronics, apparel, and, most notably, automotive sector manufacturing. Tens of thousands of workers in facilities where RRM cases succeeded have made real gains, including reinstatements after retaliatory firings, new opportunities for independent unions to organize, and stronger contracts. However, the trendline is problematic: After some initial gains, the last two years of cases have largely not resulted in improved collective bargaining contracts.

Eleven workplaces out of 32 concluded RRM cases saw workers gain new union representation and/or contracts, but a larger share of RRM cases did not produce such results. Early RRM cases were notably successful in delivering durable gains for workers. The last two years of cases have not delivered any new collective bargaining contracts, suggesting that corporations have developed RRM strategies to evade formation of independent unions and negotiation of new contracts.

More broadly, the USMCA has not delivered on topline promises to end the race to the bottom in wages and labor conditions or balance regional trade. Wages in Mexico remain very low despite some gains. Workers in the automotive and electronics manufacturing sectors still earn only \$3 to \$5 per hour, even as productivity approaches U.S. levels. Manufacturing wages in Mexico remain about 40% lower than in China.⁷⁶

Key findings from our research include:

A. The governments are “resolving” too many cases without securing long-term gains for workers.

By mid-2025, of 32 concluded cases initiated by the U.S. government concerning labor violations in Mexico, half were deemed “resolved during review,” eight resulted in the governments agreeing to a formal Course of Remediation, and six advanced to formal panel hearings. The USMCA text does not clearly outline the consequences of cases being

⁷⁵ Rangel and Wallach, “Closing the Gap: Evaluating Rapid Response Labor Mechanism Outcomes and Charting a Path Through the 2026 USMCA Review.”

⁷⁶ Rangel and Wallach, “Closing the Gap: Evaluating Rapid Response Labor Mechanism Outcomes and Charting a Path Through the 2026 USMCA Review.”

“resolved during review.” The increasing tendency to close cases without a Course of Remediation or panel action calls into question whether this approach genuinely tackles union-busting practices or holds companies accountable by establishing a clear record of denial-of-rights violations. (RRM penalties escalate if a company has repeat violations.)

B. Remediation has been real but is often standardized and insufficient in some cases.

Common remedies agreed by governments to end cases without panel activation include neutrality statements, worker reinstatements, and freedom of association (FOA) trainings. These measures are important steps, particularly the reinstatement of workers fired for their union activities or preferences. However, commitments to grant union access to facilities or recognize and bargain with petitioner unions have been less frequent. Strengthening remedies to prioritize actions that enable independent unions to organize and bargain collectively would help advance the core objectives of the RRM.

Top 10 Most Common Remediation Actions Achieved through the RRM⁷⁷	
Common Remedial Actions	Total Number of Cases
Neutrality Statement and/or Zero-Tolerance Policy	26
Mexico-Provided FOA Training	24
Facility-Provided FOA Training	19
Worker Reinstatement and/or Backpay	19
Anonymous Hotline to Report Violations	14
Severance Payments	7
Union Access to Facility	7
Proper Management of Union Dues	6
CBA Distribution	5
Recognizing/ Engaging in Bargaining with Petitioner Union	5

C. Progress has been made on freedom of association and recognition of independent unions, but there is less movement on collective bargaining and winning better contracts.

Eleven workplaces out of 32 concluded RRM cases saw workers gain new union representation and/or contracts, but a larger share of RRM cases did not produce such results. Early RRM cases were notably successful in delivering durable gains for workers. Later cases suggest that corporations have developed strategies to persuade authorities that limited actions amount to sufficient remediation without enabling workers to organize independent unions or negotiate strong collective bargaining agreements. The fact that half of all concluded RRM cases have not resulted in new union representation and/or a new or

⁷⁷ Table from Rangel and Wallach, “Closing the Gap: Evaluating Rapid Response Labor Mechanism Outcomes and Charting a Path Through the 2026 USMCA Review.”

revised contract raises questions about the effectiveness of the mechanism to fulfill its ultimate objectives.

D. Secrecy about why petitions are rejected or even how many are filed chills use of the RRM and hinders accountability.

There is no public information on the total number of petitions filed under the RRM, nor any transparency about the reasons some were rejected. Through a FOIA request, we discovered that 56 petitions were filed during the first five years of the RRM, although one was later withdrawn. The U.S. government initiated action on 38 cases: 36 resulting from petitions and two self-initiated. But there is no public information about why 19 petitions were rejected or otherwise did not trigger activation of the RRM process. The lack of transparency that has marked the RRM's initial years must be remedied.

Other reports, such as the October 2025 Independent Mexico Labor Expert Board (IMLEB) report, found that Mexico is not in compliance with its labor obligations under the USMCA.⁷⁸ IMLEB was established by the USMCA implementing legislation to monitor Mexico's commitment to its Federal Labor Law. The IMLEB report specifically mentions issues with obligations under the RRM: It found that, even in cases where the United States and Mexico both call for sanctions for labor law violations, these sanctions have not been imposed. IMLEB found that Mexico has made progress in union representation and wage increases, but protection of workers' rights is lacking, including protecting workers from violence and other retaliation when they exercise the right to associate.

Manufacturing wages in Mexico remain 40% lower than Chinese manufacturing wages and 88% lower than U.S. manufacturing wages.⁷⁹ Wages have not increased substantially despite the RRM's operation, the implementation of Mexico's historic labor reform, and several increases in the Mexican federal minimum wage. In 2024, unionized Mexican workers experienced their highest wage gain in two decades, yet real wages rose by just 2.2% year-over-year, highlighting the slow pace of meaningful improvement.⁸⁰

The persistent wage gap between manufacturing wages in the United States and Mexico is arguably the main driver of the U.S. government having certified over one million jobs lost due to NAFTA under the Trade Adjustment Assistance program and in TAA's two years in operation during USMCA's first five years another 41,357 American worker were

⁷⁸ Independent Mexico Labor Expert Board, "Report: October 6, 2025," https://aflcio.org/sites/default/files/2025-10/IMLEB_REPORT_2025_10_06.pdf.

⁷⁹ Rangel and Wallach, "Closing the Gap: Evaluating Rapid Response Labor Mechanism Outcomes and Charting a Path Through the 2026 USMCA Review."

⁸⁰ Gerardo Hernández, "Salarios Contractuales Alcanzaron en 2024 el Crecimiento Real Más Alto en Dos Décadas," *El Economista*, January 15, 2025, <https://www.eleconomista.com.mx/capital-humano/2024-salarios-contractuales-alcanzaron-crecimiento-real-alto-dos-decadas-20250115-742129.html>.
<https://www.eleconomista.com.mx/capital-humano/2024-salarios-contractuales-alcanzaron-crecimiento-real-alto-dos-decadas-20250115-742129.html>

government certified as having lost their jobs to trade and offshoring with Mexico and Canada.

In order to end the race to the bottom in wages and working conditions across North America, the RRM system must be strengthened. In addition to USMCA reforms aimed at directly raising North American wages, the RRM requires both targeted adjustments and systemic improvements, which are detailed in Rethink Trade's recent report.⁸¹ In sum:

Targeted Adjustments:

1. Shorten the time Mexico has for initial investigation of a company's alleged violation.
2. Extend or modify the U.S. government's Interagency Labor Committee deadline to decide whether to demand a formal panel to review an allegation.
3. Require governments to consult with the unions and workers bringing the case when developing remediation actions, and disclose investigation findings while safeguarding witness workers.
4. Clarify that a "Resolved During Review" outcome counts as a Denial of Rights Determination so any further violation leads to escalated penalties for a company.
5. Clarify that the actions of countries' administrative and judicial authorities can constitute a Denial of Rights under the RRM.

Systemic Improvements:

1. Add a substantive obligation to the USMCA requiring all USMCA Parties to ensure employers bargain in good faith.
2. Require Mexico's Federal Center for Labor Conciliation and Registration to have sanctioning authority to ensure employers follow through on promised remedies and expand protections for workers unable to activate the RRM.
3. Separate out the fact-finding aspects of the RRM process from the imposition of sanctions, allowing independent investigators to make factual determinations rather than governments, which may be perceived as having a stake in the outcomes of the cases.
4. Make RRM equally applicable to all USMCA Parties.

However, even if the RRM is improved during the six-year review, it would take decades for case-by-case labor rights enforcement action to build up sufficient density of independent unions to bring Mexican wages to a level where workers there can purchase the goods they are now making almost exclusively for export. Such real wage gains are what would cut the incentives to offshore U.S. production to Mexico.

That is why it is critical that the USMCA's Rules of Origin (ROO) are tightened and wage levels are directly addressed.

⁸¹ Rangel and Wallach, "Closing the Gap: Evaluating Rapid Response Labor Mechanism Outcomes and Charting a Path Through the 2026 USMCA Review."

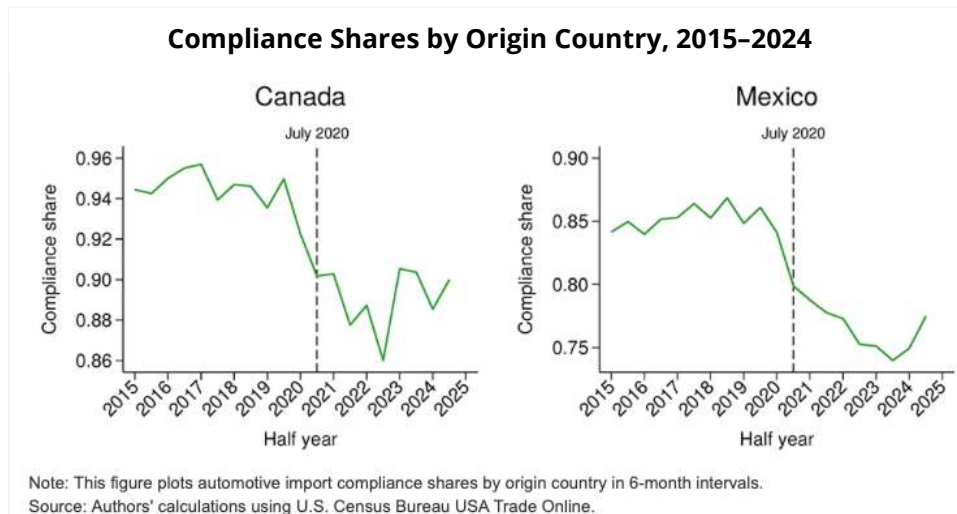
Rules of Origin Must Be Tightened and Wage Levels Directly Addressed

Strong rules of origin are not only critical to ensuring that the beneficiaries of a trade deal are the countries that signed it, but also to ensure labor and environmental standards benefit people in the countries in the deal. Every trade agreement includes a rules of origin (ROO) chapter that sets the standards imported products must meet to qualify for the preferences established under the pact. Low rules of origin mean, for example, parts made in non-signatory countries by exploited workers or while trashing the environment could be imported and put into goods assembled in one of an agreement's signatory countries. Stronger rules of origin are necessary to create a high-standard North American manufacturing hub and supply chain.

The USMCA raised the ROOs for some sectors, like autos and auto parts, certain electric appliances, and some steel products, relative to NAFTA. In 2025, auto trade was 16.4% of U.S. goods trade under the USMCA and 13.4% of USMCA goods imports from Mexico.⁸² The USMCA therefore included many special rules of origin for autos not applicable to other products. This included a Regional Value Content requirement that a relatively high 75% of the value of a car must be sourced in North America, as well as standards for North American content for key components. However, before the adoption of Section 232 tariffs on auto and auto parts by the Trump administration, the U.S. Most Favored Nation (MFN) tariff for passenger vehicles of 2.5% was so low that some automakers manufacturing in Mexico for the U.S. market opted to pay the tariffs to evade compliance with the USMCA's stronger rules of origin that would limit Chinese and other third-country supply chain inputs. Thus, after USMCA raised (relative to NAFTA) the level of North American content required for cars to get tariff-free access for sale in the United States, the share of cars meeting the rules declined.

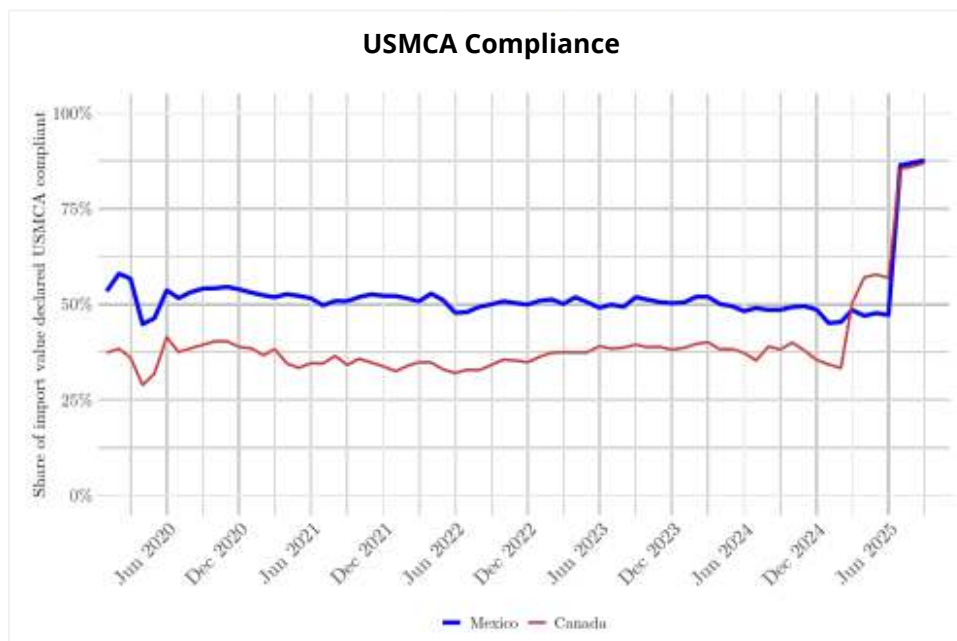
A 2025 study by Federal Reserve Board economists calculated the share of automotive imports from Canada and Mexico that complied with NAFTA and USMCA rules of origin between 2015 and 2024. The study found that the share of compliant imports declined sharply after the USMCA entered into force in July 2020. According to the researchers, this suggests that firms found it more economical to pay the tariff than to comply with—or certify compliance with—the more stringent USMCA automotive rules of origin.

⁸² Goods trade balances calculated using USITC Data Web, “Domestic Exports” and “Imports for Consumption.”



Source: Federal Reserve Board.⁸³

Compliance with USMCA rules of origin increased dramatically when tariffs were significantly increased on non-USMCA compliant goods. As shown in the graph below, compliance rates jumped sharply for imports from both Canada and Mexico, from below 50 percent in 2024 to nearly 90 percent by September 2025.⁸⁴



⁸³ Spencer Bowdle and Fariha Kamal, "Trade Compliance at What Cost? Lessons from USMCA Automotive Trade," *FEDS Notes*, Washington: Board of Governors of the Federal Reserve System, July 18, 2025, <https://doi.org/10.17016/2380-7172.3854>.

⁸⁴ Gita Gopinath and Brent Neiman, "The Incidence of Tariffs: Rates and Reality," *National Bureau of Economic Research*, January 2026, <https://www.nber.org/papers/w34620>.

⁸⁵ Gopinath and Neiman, "The Incidence of Tariffs: Rates and Reality."

That is why many unions and Rethink Trade think the USMCA review should include an agreement by the three countries to jointly raise Most Favored Nation tariffs on targeted goods, which would incentivize companies to build supply chains within North America.

Notably, all three USMCA countries have recently raised tariffs on certain automotive products. The second Trump administration imposed Section 232 tariffs on autos and auto parts in March 2025. In 2024, Canada introduced 100% tariffs on Chinese electric vehicles, aligning with the United States after the Biden administration imposed equivalent measures months earlier. More recently, Mexico's Congress and government approved a major adjustment to import duties on products from countries with which Mexico does not have a trade agreement. Under the new tariff schedule, tariffs on imported passenger cars and light vehicles from several Asian countries—particularly China—and other non-FTA partners will rise to 50%. The USMCA review presents an opportunity to align these external tariffs and convert them into a common external most-favored-nation (MFN) rate applied to imports from non-USMCA countries.

But to ensure that higher MFN tariffs at the regional level actually support North American manufacturing, the ROOs for many goods would need to be revised, since the inputs and parts making up the majority of the value of a finished good can come from China and other countries yet still get duty-free access into the United States if assembled in Mexico or Canada.

It is worth recalling that the two most common ways trade agreements establish rules of origin are through a “tariff shift” rule and/or a “regional value content” (RVC) standard. Under a tariff shift rule, a product is considered “originating” (meeting the rules of origin) if raw materials imported from outside the territory of the countries party to the agreement undergo a “substantial transformation” in the exporting country that changes their tariff classification in specified ways. The RVC standard, by contrast, requires exporters to demonstrate that a specified percentage of a good's value was created within the territory of the agreement's parties. Depending on the stringency of the required tariff shift or RVC threshold, rules of origin can be relatively strong or weak.

Based on these rules, the table below gives some side-by-side examples of strong ROOs compared to weaker standards as included in the 2018-19 USMCA.

Examples of Strong ROOs		Examples of Weak ROOs	
Light trucks (HS Codes 8704.21 and 8704.31)	For this product to qualify as USMCA compliant: a) the content generated in North America must represent at least 75% of its total cost, excluding certain marketing, shipping and packing costs; b) certain parts also need to comply with their respective rule of origin; c) 70% of the manufacturers' steel and aluminum purchases are from North America; and d) 45% of its value is produced in plants located in North America with a production wage rate that is at least US\$16/hour (this rule is further discussed below).	Ultrasound machines (HS Code 9018.12)	For this product to qualify as USMCA-compliant, none of its imported parts from non-USMCA countries can be classified in the tariff line of a complete ultrasound machine. This means that all components could be imported from other countries and assembled in Mexico or Canada and the final product would qualify as tariff-free.
Buses for the transport of 15 or fewer persons (HS Code 8702.10)	For this product to qualify as USMCA compliant: a) none of its imported parts from non-USMCA countries can be a complete bus and b) the content generated in North America must represent at least 62.5% of its total cost, excluding certain marketing, shipping and packing costs.	Aircraft fuselages, wings, and cabins (HS Code 8803 2017 Ver. / 8807 2022 Ver.)	For these products to qualify as USMCA-compliant, none of its imported parts from non-USMCA countries can be classified as aircraft parts, meaning that all inputs—including the metals required for the structures—could be imported from other countries and transformed in Mexico or Canada and the product would qualify as tariff-free.
Refrigerators (HS Codes 8418.10 and 8418.21)	For this product to qualify as USMCA compliant: a) none of its imported parts can be a complete refrigerator or a freezer and b) <u>assemblers cannot import</u> from a non-USMCA country more than one of the following inputs: compressor, condenser, evaporator, connecting tubing.	Laptops (HS Code 8471.30)	For this product to qualify as USMCA-compliant, none of its imported parts from non-USMCA countries can be classified as a complete computer. This means that all components could be imported from other countries and assembled in Mexico or Canada and the final product would qualify as tariff-free.

The table shows how critical goods like medical devices, aircraft parts, and electronics have weaker standards and, therefore, are more susceptible to less resilient supply chains in North America. For instance, an ultrasound machine is composed of a few primary components: the transducer probe, a central processing unit (CPU), a display monitor, and an operating panel with controls. Thus, under the current USMCA ROO, a company based in Mexico could import all of these components from non-USMCA countries, assemble them in Mexico, ship them to the United States, and qualify for tariff-free treatment.

Mexico now has a sizeable trade deficit with China⁸⁶ and a chronic global trade deficit, even as it has a large bilateral trade surplus with the United States, in part because the duty-free export platform it provides into the United States draws input imports into Mexico for use in Mexican assembly factories. During the USMCA six-year review, the Regional Value Content rule must be raised and the tariff shift requirements must be tightened for many more sectors beyond autos to drive investment in North American supply chain manufacturing.

The USMCA included a novel ROO—called the Labor Value Content (LVC)—for the auto sector. It requires that a percentage of a car’s overall value and the value of certain parts be made by workers making at least \$16 per hour to qualify for USMCA duty-free access. It was discussed popularly as a strategy to raise wages in Mexico and criticized as unlikely to accomplish that goal because the types of workers (including some professional salaried workers) who could count in the average meant the \$16 standard would not require higher line-worker salaries in Mexico.

The LVC did not raise wages in the auto sector in Mexico to match the \$16 threshold. According to the October 2025 IMLEB report, on average, auto workers in Mexico currently make \$5.70 an hour.⁸⁷ Before USMCA, the wage level for this type of worker in Mexico was approximately \$3.75 an hour.⁸⁸ Wages nowadays are higher but still far from the \$16-an-hour goal.

Thus, the LVC really was designed to force Japanese, Korea, European, and other automakers to start investing in the United States rather than only in Mexico for cars made to sell in the North American market under duty-free USMCA terms. The idea was that they would have to invest in some supply chain or assembly capacity in the United States or Canada to meet the \$16 average. But it did not work particularly well for that goal either:

⁸⁶ Roberto Morales, “México Dobla Déficit Comercial con China en 10 Años,” *El Economista*, July 15, 2025, <https://www.eleconomista.com.mx/empresas/mexico-dobla-deficit-comercial-china-10-anos-20250715-768204.html>.”

⁸⁷ Independent Mexico Labor Expert Board, “Report: October 6, 2025,” https://aflcio.org/sites/default/files/2025-10/IMLEB_REPORT_2025_10_06.pdf.

⁸⁸ Official data on wages in Mexico is often not readily available. However, specialized reporting indicates that an average monthly wage for an autoworker in Mexico in 2019 was 15,000 pesos. We converted this figure to U.S. dollars using the 2019 average exchange rate (MXN 19.24/USD), yielding approximately USD 779 per month. Assuming a 48-hour workweek and 4.33 weeks per month (≈208 hours), this corresponds to an hourly wage of roughly USD 3.75. See: https://www.am.com.mx/industria-automotriz/2022/09/12/guanajuato-el-sector-automotriz-es-el-cuarto-que-mejor-paga-trabajadores-622659.html?utm_source=chatgpt.com.

The extremely low 2.5% U.S. MFN tariff rates for passenger cars meant some makers simply paid the tariffs rather than adjust how they operated, as indicated by the Federal Reserve Board study cited above.

Whether it was by design or problematic implementation, the LVC ROO has not raised wages in Mexico. That is a critical goal for a revised USMCA.

Independent unions in all three countries are calling for minimum wages by sector across countries as a way to immediately address the race to the bottom in wages and to avoid evasion through technical implementation maneuvers for other approaches.⁸⁹ To heed that call, during the review, the rules of origin for targeted goods must be amended to ensure that only products made by workers earning living wages qualify for the agreement's trade preferences.

Stronger rules of origin are necessary to create a high-standard North American manufacturing hub where workers are well paid and the supply chain for diversified manufacturing grows in the region, which will boost resilience and security. To meet these goals, stronger ROO must be accompanied, at a minimum, by the United States raising its MFN tariff rates in targeted sectors so that producers realize they must comply with USMCA wage, labor, and environmental rules and strong ROO if they want to benefit from duty-free USMCA access into the U.S. market. Ideally, the three USMCA countries would coordinate on such MFN tariff increases, creating a high-standard North American manufacturing zone.

Conclusion

As the outcome data show, if President Trump is committed to rebalancing U.S. trade and creating a North American manufacturing powerhouse to increase resilience and counter unfair trade practices from other countries—with the United States playing a significant role in making things along with its partners—then clearly, the USMCA review must entail a significant renegotiation of the agreement. Improvements must secure better labor rights enforcement, include direct measures to raise wages in Mexico, and tighten USMCA rules of origin to minimize third-country content entering the U.S. market duty-free via USMCA. As well, the United States (or, even better, the three USMCA countries) must raise its Most Favored Nation tariff rates on key manufactured goods and aspects of its supply chains so that it is no longer a viable strategy to pay inconsequential tariffs for access into the U.S. market for goods made in Mexico without complying with USMCA rules.

⁸⁹ Jared Laureles and Alexia Villaseñor, "Liga Sindical Propone Salario Mínimo Regional en Sectores Cubiertos por el T-MEC," *La Jornada*, October 30, 2025, <https://www.jornada.com.mx/noticia/2025/10/30/sociedad/sindicatos-proponen-querevision-al-salario-minimo-regional-se-incluya-en-el-tmec>; María del Pilar Martínez, "Sindicatos Independientes Impulsan Salario Mínimo Regional y Fortalecimiento del Capítulo Laboral del T-MEC," *El Economista*, October 15, 2025; see Jason Wade's remarks in "Press Release: First Comprehensive Review of USMCA Labor Cases Shows Tool Delivered Wins, but Structural Gaps Threaten Long-Term Success," Rethink Trade, September 25, 2025, <https://rethinktrade.org/press-releases/usmcarmreport/>.