

Position on the United States-Mexico-Canada Agreement Review

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Today, the rule-based, free and open international economic order is being challenged. Since the World Trade Organization (WTO) is unable to fully function, Economic Partnership Agreements (EPAs) and Free Trade Agreements (FTAs) are enabling like-minded countries and regions to collaborate towards promoting free and fair trade/investment and pursuing further economic growth. These arrangements are indispensable for sustaining and strengthening the international economic order.

One such EPA/FTA is the United States-Mexico-Canada Agreement (USMCA), which entered into force in July 2020 and is now approaching its six-year review period. The USMCA is of particular significance, as noted below.

First, the USMCA has been contributing to both the expansion of trade/investment among the three Parties to the Agreement and job creation within the region,¹ and these benefits are expected to continue. Companies from third countries, including Japan, have also been investing in the United States, Mexico and Canada under highly predictable and stable business environment under the Agreement. These investments have been contributing towards strengthened industrial base and the creation and expansion of employment across the region. Thus, the USMCA underpins the resilience and competitiveness of the North American economy and provides an institutional foundation that secures a fair, predictable, and competitive environment.

Second, resilient supply chains culminating in North America help avoid excessive dependence on a particular country, mitigate the risks of economic coercion, and enhance response capabilities when risks materialize. Japan has long worked to reduce dependence on specific countries and to reinforce supply chain resilience and is well positioned to continue contributing in this regard. USMCA plays an important role from the viewpoint of economic security.

Third, even under the current circumstances, goods that are compatible with the USMCA

¹ According to CSIS (2025), compared with 2019—the year prior to the entry into force of the USMCA—trade among the three Parties increased by 37 percent, employment by 18 percent, and inward foreign direct investment by 16 percent over the five-year period through 2024. Source: CSIS (2025), *USMCA Review 2026: Pathways, Risks, and Strategic Considerations for North America's Economic Future*, Center for Strategic and International Studies (CSIS), available at: <https://www.csis.org/analysis/USMCA-review-2026> (accessed February 10, 2026).

enjoy preferential treatment in trade within North America. Thus, the value of the Agreement in promoting intra-regional trade and investment is being reaffirmed. In fact, the utilization of the USMCA has increased significantly².

Fourth, the USMCA is the modernized successor to the North American Free Trade Agreement (NAFTA), establishing high-standard rules, such as those on digital trade. The Agreement has the potential to serve as a model for other EPAs/FTAs.

Considering the points outlined above, in reviewing the USMCA this year, maintaining the USMCA's three-party framework and securing an extension of the Agreement up to 2042 is critical. It is also important that the existing rules of the Agreement be maintained in principle, but where revisions are considered, such changes should be based on the current provisions, applicable, practical and clear, and their stability over medium- to long-term must be ensured. On the premise of such a USMCA, Keidanren remains committed to supporting Japanese companies' contribution to the economic and social development within the region through their business activities in a predictable, stable, and open North American market.

The following sections present our views on specific provisions of the Agreement based on the fundamental principles described above.

1. Rules of Origin

Integration of the North American market continues to advance. Therefore, any revision that runs counter to this trend risks undermining the core significance of the USMCA outlined above must be avoided. Rather, revision should support deeper integration.

Regarding the rules of origin for the automotive sector, for example, a vehicle must satisfy all of the four requirements³ to qualify for preferential tariff treatment. These requirements include a regional value content (RVC) of at least 75 percent and a labor value content (LVC) requiring that at least 40 percent of the value of passenger cars and SUVs be produced in facilities where workers earn at least USD 16 per hour. Any further

² According to data from the United States International Trade Commission (USITC), the utilization rate of the USMCA for U.S. imports from Mexico increased from 49.6 percent in 2024 to 87.6 percent in September 2025.

³ The four requirements are as follows:

- i) Regional Value Content (RVC) of at least 75 percent under the net cost method;
- ii) All core automotive parts (core parts/systems) must be originating goods of North America;
- iii) At least 70 percent of the steel and aluminum purchased by a vehicle producer must be originating materials of North America;
- iv) At least 40 percent (for passenger vehicles and SUVs) or 45 percent (for pickup trucks) of a vehicle's value must be produced in facilities where workers earn at least USD 16 per hour (Labor Value Content, LVC).

tightening or complication of these requirements, or expansion of similar requirements to other sectors beyond the automotive sector, could make it difficult to procure key inputs within the region. This could ultimately lead to a decline in USMCA utilization and increased dependence on extra-regional sources. The same concerns apply to the change in tariff classification (CTC) criteria.

Furthermore, calculating tariffs based on the proportion of non-originating materials, as well as determining tariffs according to the country of origin, is in practice extremely burdensome. For this reason, the current definition of covered goods should be maintained. If the Parties find it necessary, for reasons of economic security, to review the list of covered goods with particular countries in mind, they should ensure that goods supplied by allies and like-minded partners, which do not give rise to such concerns, are not inadvertently brought within the scope of the revised restrictions.

In addition, the rules, including their implementation, should be simplified and made more transparent so as not to impose unintended compliance costs on users. Such efforts would also enhance administrative efficiency.

2. Digital Trade

The USMCA contains high-standard provisions that promote digital trade and electronic commerce, including the free flow of cross-border data and nondiscriminatory treatment of digital products.⁴ These rules are essential for enabling innovative and dynamic business activities, as well as for enhancing data sharing, which is indispensable for strengthening industrial competitiveness and developing artificial intelligence. Therefore, these provisions should be maintained as they currently stand.

3. Fair and Equitable Investment Dispute Settlement

From the standpoint of enhancing predictability and further stimulating investment within the region, a fair and equitable mechanism for settling investment disputes should be established, including consideration of reinstating investor–state dispute settlement (ISDS) provisions between Canada and the United States.

4. Addressing Illicit Trade

Illicit trade can impede legitimate products' access to markets and undermine incentives for investment within the region. To address such risks, the Agreement should include provisions to prevent illicit trade and strengthen anti–money laundering measures.

⁴ In addition to the free flow of cross-border data and nondiscriminatory treatment of digital products, the USMCA provides, for example, prohibitions on requirements to use or locate computing facilities, a moratorium on customs duties on electronic transmissions, and prohibitions on requiring the disclosure of source code or algorithms.

Moreover, a specialized working group dedicated to illicit trade issues should be established under the framework of the USMCA.

5. Improving Agreement Implementation

Japanese companies operating in the region raise concerns that customs procedures are not being implemented in accordance with the rules on customs administration and trade facilitation set out in Chapter 7. As a result, inspections and document reviews are sometimes delayed, leading to situations in which companies are unable to meet delivery deadlines. To address these operational issues, cooperation and information sharing among customs authorities should be further promoted. Additional measures may include enabling regular participation of interested stakeholders in the activities of committees established under the Agreement⁵ and creating structured opportunities for dialogue between governments and the business sector.

We reaffirm that the USMCA is indispensable for sustaining a predictable, stable, and open market environment in North America. In the USMCA 2026 review, maintaining the current trilateral framework and preserving the integrity of the Agreement, while advancing constructive discussions, will enable more effective implementation of the USMCA. This would further enhance the competitiveness of the North American economy and the region's capacity to address shared global challenges. Keidanren looks forward to continued dialogue with the United States, Mexico and Canada, and will contribute to strengthening the resilience of the North American economy.

⁵ For example, the USMCA Committee on Trade Facilitation, which carries out activities related to Chapter 7.