

ARIZONA INSIGHTS

USMCA

Report on the Future of
North American Trade

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A MESSAGE FROM GOVERNOR KATIE HOBBS



A year ago, I gathered my internal team to discuss Arizona's role in the 2026 United States-Mexico-Canada Agreement (USMCA) joint review. As we were envisioning what was possible, it was clear that our efforts must be informed by those most impacted by international trade policies. Input from Arizona's business leaders is invaluable to me as Governor, as I work towards strengthening Arizona's position in the global economy.

Arizona's economic strength and the prosperity of families and businesses across our state is deeply connected to our relationships with Mexico and Canada. We already had the data to confirm this: Mexico is our top trading partner. In 2024, we received \$9.0 billion in exports from Mexico, followed by Canada with \$2.8 billion.

Besides being our key trading partners, these two countries are our closest international friends, our neighbors, and our collaborators in building a more competitive North America.

Now, we are pleased to bolster existing data with this comprehensive study on Arizona's trade profile under USMCA, carried out by the Seidman Research Institute at Arizona State University. Working through the Arizona-Mexico Commission, this multi-month study engaged key sectors across our state: businesses in the advanced manufacturing, agriculture, construction, mining, transportation and logistics industries. These industries form the backbone of Arizona's trade activity and are central to the state's long-term economic success and contributions to our nation's national security.

The USMCA has helped drive the integration of our economies, creating efficiencies in operations and business processes that benefit companies and citizens across the continent. Arizona businesses, in particular, are much stronger with one trilateral agreement that guarantees supply chain stability. Businesses have evolved to take advantage of cross-border movements facilitated by the USMCA, and now predominantly source supplies from North America. These connections create jobs, support livelihoods, and have made Arizona a global economic and technology powerhouse.

The insights presented in this document will help ensure that this year's trade agreement continues to reflect the needs of Arizona's workers and businesses, and that it positions North America for decades of shared economic growth. I am grateful to the researchers and business leaders who contributed to this effort. Your input strengthens Arizona's voice and reinforces our commitment to building an economy that works for businesses and communities across our state.

As we look ahead, we must protect and strengthen what we've built. The USMCA renewal process is an opportunity to reaffirm our commitment to a vision of North America that is competitive, resilient, and connected.

A handwritten signature in black ink, appearing to be 'Katie Hobbs', followed by a long horizontal line extending to the right.

Katie Hobbs
Governor
State of Arizona

EXECUTIVE SUMMARY

The United States-Mexico-Canada Agreement (USMCA) has played a pivotal role in shaping Arizona's economic and trade relationship with Mexico and Canada since it replaced NAFTA in July 2020.

- In 2024, Arizona exported approximately \$32.4 billion in goods and services worldwide, including 27.5% to Mexico and 9.3% to Canada – that's 7.5% more in real terms compared to NAFTA's last full calendar year.
- The message was clear: **USMCA is not only something of benefit for business. It needs to be retained and enhanced to enable Arizona and the nation to continue to prosper in the future.**
- Arizona's business community overwhelmingly believes USMCA is:
 - A cornerstone of North American competitiveness.
 - A driver of cost efficiency and supply chain resilience.
 - A source of economic stability and growth both within the state and other parts of the U.S.
 - An essential tool for the facilitation of cross-border business and cooperation.
- They believe that it is a major contributor of local and regional economic stability, benefiting all three nations.
- 85.7% suggest Arizona will be negatively impacted if USMCA is not renewed. The impacts include:
 - Trade and supply chain disruption through border delays and slowing logistics.
 - Higher costs for businesses and consumers due to the absence of tariff-free trade.
 - Job losses in any local industry dependent on supply chain trade with Mexico, including the aerospace, auto manufacturing, agricultural, automobile and advanced manufacturing sectors.
 - Reduced competitiveness while local firms take time to source alternative suppliers within the U.S.
 - Damage to Arizona's reputation and role as a trade hub.
- Arizona's business community is open to some changes to the agreement. For example:
 - Update the Harmonized Tariff Schedule and reintroduce the Certificate of Origin.
 - Modernize visa and professional recognition policies to support regional upskilling.
 - Ensure consistent and common application of USMCA in the three nations.
 - Prioritize cross-border infrastructure improvements.
 - Consider more co-operation in critical minerals, pharmaceuticals, food supply and entertainment.
- However, they largely seek refinement and continuity - rather than renegotiation - to ensure USMCA remains effective, predictable, and aligned with modern economic realities.
- They believe that USMCA has delivered significant benefits for Arizona by eliminating tariffs, simplifying trade rules, and creating a predictable, stable framework for cross-border commerce.
- USMCA has solidified and unified North America into a "powerhouse region" capable of effectively competing worldwide. Arizona's businesses do not want it replaced by a series of binational agreements or tariffs.
- A formal review of USMCA will take place in 2026, to discuss a potential extension through 2036.

ARIZONA’S TRADE PROFILE UNDER NAFTA AND USMCA

NAFTA helped to fundamentally reshape Arizona’s economy. Between 1994 and 2019, the state’s exports significantly increased, driven by its geographic proximity to Mexico, and an enhanced manufacturing, aerospace, and electronics industry base. Critically, Arizona’s focus was on supply chain-based trade, rather than the production of final goods, including cross-border manufacturing links with Mexico.

Figure 1: Arizona’s Exports under NAFTA, 2002 - 2019

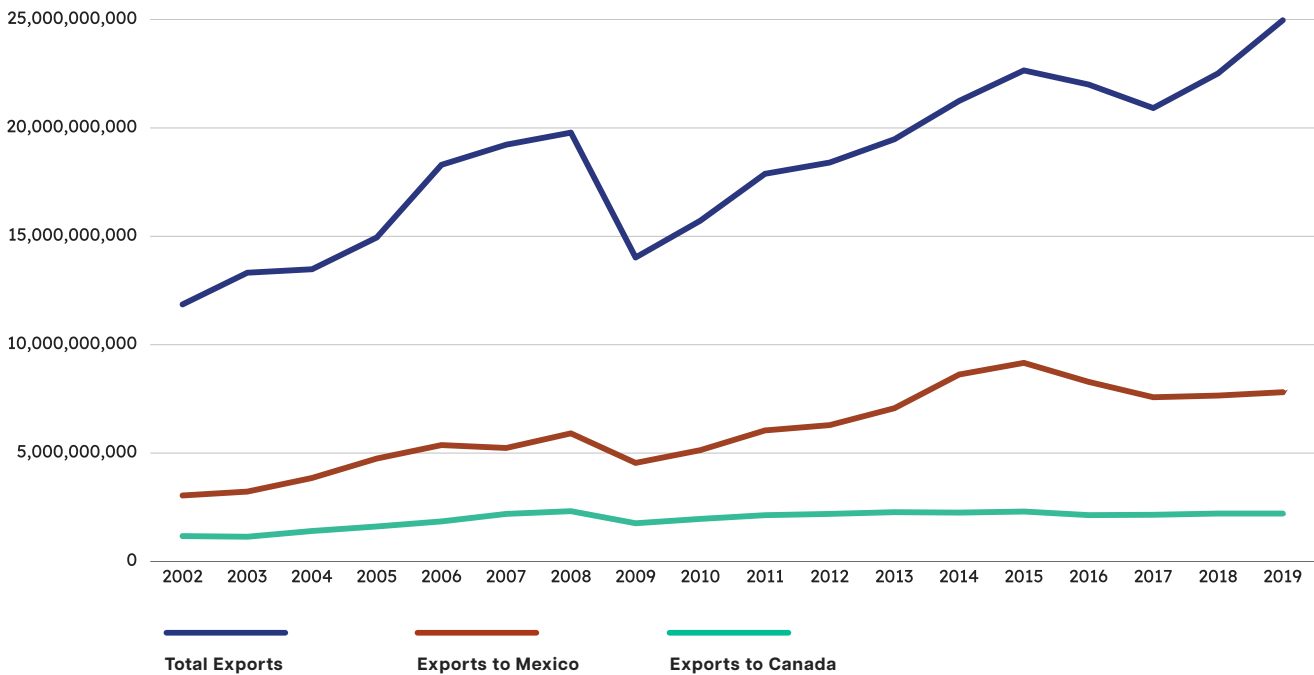


Figure 1 summarizes the annual value of Arizona’s total exports under NAFTA between 2002 and 2019, together with the shares that went to Canada and Mexico.¹ The dollar values reported in Figure 1 are all nominal. That is, they are not adjusted for inflation to reflect true purchasing power over the 18 years.

In 2002, under NAFTA, Arizona exported \$11.9 billion in goods and services worldwide, of which 25.7% was exported to Mexico and 9.9% to Canada.

In 2019, under NAFTA, Arizona exported \$25.0 billion in goods and service worldwide, of which 31.3% was exported to Mexico and 8.9% to Canada.

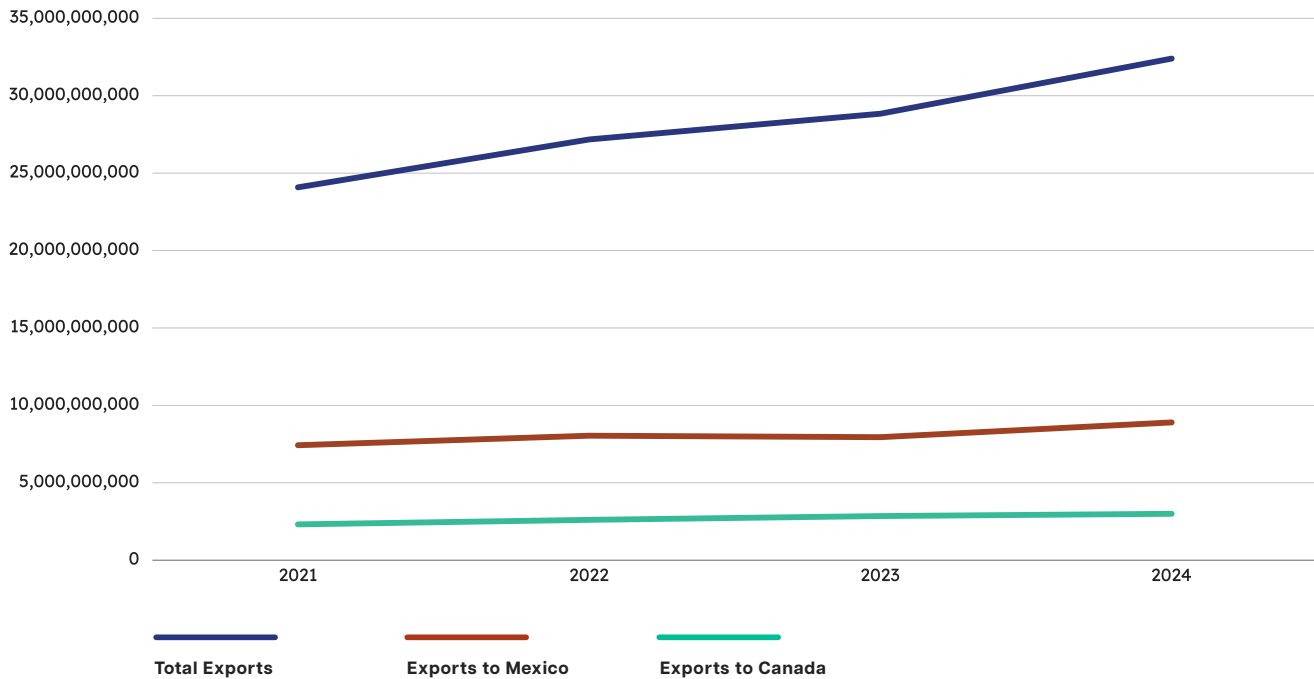
Between 2002 and 2019, on average 32.6% of Arizona’s total annual exports were exported to Mexico and 10.7% to Canada. This shows the importance of the North American market to Arizona under NAFTA.

Figure 2 summarizes the annual value of Arizona’s exports under USMCA between 2021 and 2024 in nominal dollars, together with the share of exports that went to Canada and Mexico.²

¹Total exports data is available from 1996 for Arizona, but the percentage shares for Mexico and Canada is not readily available.

²Calendar year 2020 is excluded as it encompasses both agreements.

Figure 2: Arizona's Exports Under USMCA, 2021 - 2024



In 2021, under USMCA, Arizona exported \$24.1 billion in goods and services worldwide, of which 30.8% was exported to Mexico and 9.6% to Canada. The dollar value of total exports in 2021 was 9% lower in real terms than 2019 under NAFTA primarily due to the impact of the Covid-19 global pandemic.

In 2024, under USMCA, Arizona exported approximately \$32.4 billion in goods and services worldwide, of which 27.5% was exported to Mexico and 9.3% to Canada. This represented a 7.5% real increase compared to 2019 (the last full calendar year under NAFTA).

Between 2021 and 2024, on average 28.9% of Arizona's total annual exports were shipped to Mexico and 9.6% to Canada. Expressed as a percentage of the state's annual GDP, this is marginally lower than the average under NAFTA between 2002-2019, but that statistic does not tell the full picture:

- Average exports for the first four full calendar years under USMCA were almost certainly negatively impacted by Covid 19 global pandemic – an unprecedented event for the global economy.
- This is supported by the fact the total dollar value of Arizona's exports to Mexico and Canada (combined) in 2024 was 1.2% greater in real terms than the total dollar value in 2019 (the last full year under NAFTA).
- Preliminary results for the first nine months of 2025 suggest that 40.5% of the state's total exports went to Canada or Mexico, compared to 40.1% in 2019).

Canada and Mexico's importance for Arizona's exports today is indisputable. A core tenet of the USMCA is the tariff-free movement of qualifying goods between all three nations. The agreement's modernized customs rules also help reduce red tape at borders, which is crucial for just-in-time manufacturing and cross-border logistics.

Under NAFTA and USMCA, Mexico has consistently ranked as Arizona’s largest export market. Table 1 summarizes the top 10 goods by value exported from Arizona to Mexico in 2024. The top 10 goods listed in Table 1 accounted for more than 65% of Arizona’s total exports to Mexico in 2024.

Table 1: Arizona’s Top Exports to Mexico, 2024

	2024 Exports	Percent of Arizona’s Total Export to Mexico
Metal Ores	\$1,714M	19.2%
Computer Equipment	\$968M	10.8%
Semiconductors and Other Electronic Components	\$824M	9.2%
Electrical Equipment and Components (Not elsewhere specified)	\$592M	6.6%
Electrical Equipment	\$361M	4.0%
Magnetic and Optical Media	\$353M	3.9%
Aerospace Products and Parts	\$287M	3.2%
Petroleum and Coal Products	\$285M	3.2%
Plastics Products	\$247M	2.8%
Nonferrous Metal (except Aluminum) and Processing	\$213M	2.4%

Source: Arizona Commerce Authority (2025) WISERTrade, based on 4-digit NAICS

However, trade does not simply flow in one direction. Arizona’s businesses and residents also benefit from goods and services imported from Canada and Mexico.

Figure 3 summarizes the total annual value of Arizona’s imports under USMCA between 2021 and 2024, together with the share of imports that can be attributed to either Canada or Mexico.³ These total values are expressed in nominal dollars.

In 2021, under USMCA, Arizona imported \$28.0 billion in goods and services, including 33.5% from Mexico and 8.3% from Canada.

In 2024, under USMCA, Arizona imported \$42.2 billion in goods and services, including 27.5% from Mexico and 6.4% from Canada. This represented a 32.8% real increase in the value of the state’s total imports, compared to 2019 (the last full calendar year under NAFTA).

Between 2021 and 2024, on average 31.7% of Arizona’s total annual imports came from Mexico and 7.5% from Canada.

Under NAFTA and USMCA, Mexico has consistently ranked as Arizona’s largest import market. Table 2 summarizes the top 10 goods by value imported from Mexico to Arizona in 2024. The top 10 goods listed in Table 2 accounted for more than 65% of Arizona’s total imports from Mexico in 2024.

³ Calendar year 2020 is excluded as it encompasses both agreements.

Figure 3: Arizona's Imports under USMCA, 2021 - 2024

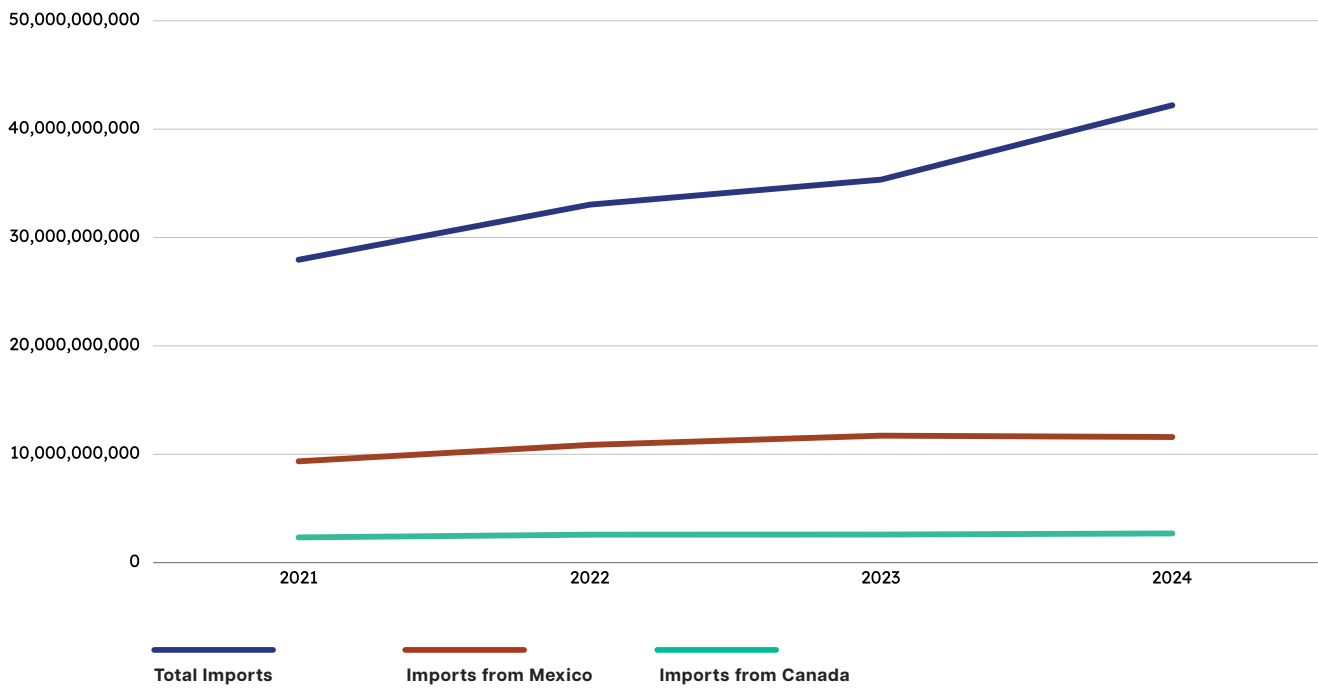


Table 2: Arizona's Top Imports from Mexico, 2024

	2024 Imports from Mexico	Percent of Arizona's Total Imports from Mexico
Vegetables and Melons	\$2,098M	18.1%
Mushrooms, Nursery and Related Products	\$986M	8.5%
Electrical Equipment and Components (Not elsewhere specified)	\$895M	7.7%
Motor Vehicle Parts	\$773M	6.7%
Navigational, Measuring, Electromedical, and Control Instruments	\$558M	4.8%
Fruits and Tree Nuts	\$487M	4.2%
Medical Equipment and Supplies	\$460M	4.0%
Engines, Turbines, and Power Transmission Equipment	\$444M	3.8%
Electrical Equipment	\$413M	3.6%
Cattle	\$397M	3.4%

Source: Arizona Commerce Authority (2025) WISERTrade, based on 4-digit NAICS

WHY TRADE DEFICIT IS NOT A RED FLAG

The total value of goods imported by Arizona under USMCA from Canada and Mexico currently exceeds the total value of goods exported from the state to both nations. This is known as a trade imbalance or trade deficit. Arizona's trade deficit with Mexico and Canada is neither inherently problematic, nor is it something that must be "fixed." Trade imbalances, including trade deficits, often arise as a natural outcome of production specialization driven by comparative advantage.

Such specialization promotes efficiency gains by allowing regions - specifically, Arizona-based producers - to focus on goods and services they can produce relatively efficiently while trading for others. Arizona may import agricultural products, equipment, and machinery from Mexico and Canada while exporting a smaller total value of other commodities, including goods within the same broad industry classifications. The gains from trade arise from specialization and exchange, not from whether the value of exports equals the value of imports.

An instructive analogy is trade among U.S. states: Arizona runs trade deficits with some states and surpluses with others, yet these imbalances are not viewed as harmful because interstate trade enables states to specialize and share the resulting gains. By accessing lower-cost or higher-quality goods and concentrating its resources in areas of comparative advantage, Arizona benefits from trade, with the deficit reflecting mutually beneficial economic exchange rather than a sign of economic weakness.

The current value of USMCA is shown in Seidman's fall 2025 online survey of key industries in Arizona. **Over 83% of respondents suggest that the U.S., Canada and Mexico have all benefited from USMCA.**

WHAT DOES USMCA MEAN TO ARIZONA BUSINESSES?

Arizona's business community overwhelmingly believes USMCA is:

- A cornerstone of North American competitiveness.
- A driver of cost efficiency and supply chain resilience.
- A source of economic stability and growth both within the state and other parts of the U.S.
- An essential tool for the facilitation of cross-border business and cooperation.

Building on the foundations first laid under NAFTA, USMCA is described as solidifying and unifying North America into a "powerhouse region" capable of effectively competing worldwide. Three decades of trilateral trade integration have effectively created the world's largest economic bloc, with the combined market of all three countries able to supply most goods and services internally.

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It [USMCA] means that companies in all three countries - Canada, the United States, and Mexico - are partners and allies in competing within an increasingly globalized market. This partnership makes companies across North America more competitive and allows them to present a united front against international rivals, especially those from countries that do not follow international trade rules and rely on subsidies to artificially lower costs, selling products below market value, including commodities priced under international standards.

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Facilitating cross-border trade, USMCA has enabled all three nations to take advantage of one another's unique offerings, rather than source outside North America, and is viewed as "by far" the most important trade agreement the U.S. has.

Cross-border trade under USMCA has been of particular importance for aerospace and defense, car manufacturing, and agriculture in Arizona. For example, cross-border R&D hubs and supply chains have helped Arizona retain its status as a lead aerospace region.

“Every major aerospace company in the country gets the majority of its manufacturing done in the U.S. and gets certain key components, which are highly specialized, from Canada as well as Mexico, through both suppliers and their own facilities there. It’s part of how you compete in a global market.”

Stricter rules of origin in the auto industry have maximized local supply chains, encouraging more parts to be made regionally to take advantage of tariff-free access. Cars and trucks under USMCA must have 75 percent of their components manufactured in the U.S., Canada, or Mexico to qualify for zero tariffs, compared to 62.5 percent under NAFTA. With over 4000 components and parts in an average vehicle, efficient systems in the auto industry depend on stable trade policy that can keep products flowing.

Being able to grow produce on both sides of the border has also allowed Arizona’s agricultural industry to diversify and offer food products year-round, to the benefit of retail buyers and consumers:

“It helps keep trade channels open for importing affordable inputs and exporting the commodities that we produce on our farm.”

Approximately 60% of Arizona businesses responding to the survey engage in the export of goods and services. They argue that the USMCA has:

- Had a broadly positive and stabilizing impact on North American businesses by enhancing cost competitiveness, protecting margins, increasing exports and sales, and simplifying cross-border trade through clearer and more standardized rules.
- Facilitated business growth.
- Improved supply-chain efficiency.
- Expanded secondary economic activity including professional services, manufacturing integration, and tourism.

Any challenges noted are primarily tied to tariffs on non-USMCA-compliant goods and competitive pressures from lower labor costs, rather than aspects of the agreement itself.

Over half of the Arizona businesses responding to the survey engage in the import of goods and services. They collectively argue that the USMCA has:

- Significantly improved their cost competitiveness, margin stability, and market access.
- Enabled tariff-free movement of goods, which is critical for firms with thin margins operating in the automotive, aerospace, medical devices industries.
- Improved supply-chain predictability and operational efficiency thanks to the agreement’s rules of origin and export regulations.
- Supported job creation, supplier diversification, and cross-border manufacturing integration, particularly between the U.S. and Mexico.

USMCA: ARIZONA BUSINESS COMMUNITY PERSPECTIVE

During fall 2025, Seidman asked key Arizona stakeholders their opinions about USMCA. This included:

- Two focus groups in Tucson and Phoenix
- Eleven one-to-one interviews with import and export businesses
- An anonymous online survey completed by 49 firms.

The message was clear. USMCA is not only something of benefit for business. It is something that needs to be retained and enhanced to enable Arizona and the U.S. to continue to prosper in the future.

79.6% of survey respondents agree that USMCA has enhanced their supply chain resilience.

73.5% agree that USMCA’s rules of origin make it easier to do business in North America.

WHAT’S THE BIGGEST BENEFIT OF USMCA?

The most frequently cited benefits of USMCA are clustered around tariff elimination, ease of trade, supply-chain efficiency, cost competitiveness, foreign direct investment (FDI) attraction, and regional economic integration.

USMCA is said to have delivered significant benefits by eliminating tariffs, simplifying trade rules, and creating a predictable, stable framework for cross-border commerce in North America. Under USMCA, local businesses have enjoyed lower costs, improved pricing, and strengthened competitiveness while simultaneously enabling efficient, integrated supply chains and continuity of operations across the U.S., Mexico, and Canada.

USMCA has kept in check the cost of cross-border production. In the absence of the agreement, U.S. end users could face higher prices – even for goods predominantly produced within their own country.

USMCA has helped several Arizona businesses expand their exports and increase sales. It has also allowed small and medium-sized enterprises to participate more easily in international trade, and drive demand for logistics, professional services, and tourism. The agreement’s modernized rules and regulatory certainty have supported innovation, digital trade, and ethical competition. 61.2% of survey respondents either agree or strongly agree that USMCA’s prohibition of customs duties on digital trade has been of economic value.

Without USMCA, **79.6%** of survey respondents agree that it will be harder to do business with Mexico and Canada.

75.5% of survey respondents agree that USMCA promotes fair competition.

USMCA’s role in attracting foreign direct investment is described as a key benefit because it has helped anchor manufacturing and high-value industries within the U.S.

“USMCA provides a North American solution for Foreign Direct Investment (FDI) projects looking to expand to the U.S. and their associated supply chain, which helps the U.S. compete on an international level.”

“It has generated strong interest in the region from third-country companies. These firms, seeking access to the U.S. market, are increasingly establishing operations in the United States while leveraging Mexico for their manufacturing activities.”

Access to an international workforce is also a major benefit of USMCA, particularly for agriculture. U.S. agricultural production relies on cross-border labor networks, particularly long-established workforce pipelines through neighboring countries.

Collectively, these benefits of USMCA are heralded for reinforcing regional economic stability, job creation, and long-term growth, particularly in border and trade-dependent communities.

“The biggest benefit of the USMCA is the strengthened framework for cross-border collaboration and innovation. The agreement modernized trade rules to support digital commerce, protect intellectual property, and facilitate the seamless movement of goods and services between the U.S., Mexico, and Canada. This creates stability and growth opportunities for Arizona’s technology sector by enabling companies to expand into regional markets with fewer barriers and greater confidence.”

WHAT ARE THE KEY ISSUES WITH THE CURRENT USMCA?

As with any agreement, some aspects of the current USMCA draw criticism from Arizona stakeholders. However, many of these issues center on policy uncertainty and stability, rather than USMCA itself. For example, several survey respondents emphasize how the current unpredictability surrounding USMCA renewal, reviews, and shifting tariff policies undermine their long-term investment, supply-chain planning, and business confidence.

“ For Arizona’s technology sector, long-term investment and supply chain planning depend on policy stability. Any changes to trade provisions - particularly those related to digital commerce, data flow, or rules of origin - could disrupt business continuity and increase regulatory complexity for companies operating across North America. ”

Tariff uncertainty or loss of protections was also a hot topic of discussion among the focus groups and 1-to-1 interview participants. The general consensus is that tariffs could undermine the competitiveness of Arizona’s firms. Stakeholders argue that they will eventually be passed onto the consumer and could ultimately force some Arizona-based companies out of business.

“ Most of the time when we develop our contracts with our partners that we’re selling product to, they’re a year out. We have a sales and marketing side of the company, they’re already in negotiations for next year’s prices, so any tariffs that have come through, those aren’t getting passed on. Next year, it may get passed on [to the consumer] because now we see the input costs have gone up, and as we’re renegotiating our sales price, there could be those additional costs. ”

Another major issue is the complexity and burden of compliance with USMCA, especially in relation to rules of origin, certifications, and customer-driven documentation requirements. These are said to create significant administrative and cost challenges. Rules of Origin are currently based on a 2012 Harmonized Tariff Schedule (HTS), prompting calls for an update.

“ The equipment we manufacture contains globally sourced components; each product line has its own HS-code-specific origin requirements. Maintaining auditable costed BOMs, supplier declarations, and relevant records is a significant burden. ”

One interviewee called for the introduction of advantages for raw materials originating in the three USMCA countries. Others want to lower the threshold for Rules of Origin, particularly where production does not currently exist within USMCA countries.

Key differences in the way each country applies USMCA framework is also an issue. Inconsistent implementation of USMCA across the U.S., Mexico, and Canada has created challenges in ensuring fair labor conditions as well as food and health standards, prompting calls for harmonization, improved traceability, and deeper trilateral collaboration.

Collectively, the issues raised suggest that Arizona’s businesses are more concerned with predictability, enforcement, streamlined administration, and continuity to preserve the benefits of USMCA, and less focused on renegotiation.

81.6% agree that USMCA is a major contributor of local and regional economic stability.

WHAT WILL HAPPEN IN ARIZONA IF USMCA IS NOT RENEWED?

The increased integration of the three economies of North America is frequently described as one of the main benefits of the USMCA. However, what could happen if the USMCA is not renewed?

Across responses, the dominant impact themes are as follows:

1. **Trade and Supply Chain Disruption:** Several respondents refer to the dependence of Arizona’s industries on cross-border trade and collaboration with Mexico and Canada. If USMCA is allowed to elapse, they fear an increase in border delays, slowing logistics, and potentially spoiling some food imports. Produce distribution centers could disappear. Trade between Arizona and Sonora could decline, and the Santa Cruz economy could be badly impacted by the lack of business traffic using its port of entry.
2. **Higher Costs for Businesses and Consumers:** There is a cost associated with border delays. If USMCA is not renewed, Arizona’s business community also generally fears that it will be replaced by a series of tariffs. A tariff is a tax on goods that cross a national border. That is, it is almost always a tax on imports paid at the border to the national government. Supplier pricing is typically agreed in advance. Hence, in the short term, industries often swallow the higher costs to the extent that they can. However, in the long run, Arizona’s business community fears that any increase in prices will ultimately need to be passed onto the consumer, along with any costs associated with border delays.
3. **Slower Economic Growth:** Non-renewal of USMCA could potentially slow economic growth in Arizona because:



...businesses that need to make capital investments will hesitate to move forward without knowing that the tariff-free benefits of USMCA will be available.



Slower economic growth will put pressure on public infrastructure funding, including water and wastewater systems essential for both industrial and community needs.

4. **Job Losses:** Arizona’s aerospace, auto manufacturing, agricultural, and advanced manufacturing sectors are heavily reliant on supply chain trade with Mexico. Some businesses reliant on the cross-border trade of intermediate goods could therefore leave the state if USMCA is not renewed, resulting in job losses.
5. **Reduced Competitiveness:** If trade with Canada and Mexico is no longer cost-effective, some Arizona businesses could look to re-source their suppliers within the United States. However, this change (sometimes referred to as reshoring) cannot take place overnight. There are procurement, cost and timing issues that need to be addressed:



It is impossible to shift supply chains instantly, especially for certified and critical equipment, which is, of course, the core of what US manufacturing does. Complex, difficult systems and so those supply chains take a long time to shift. There are implications, right, and that’s why your NAFTA, USMCA, has provided stability. It’s provided global competitiveness.



It can take 3-5 years to find and negotiate an agreement with an appropriate supplier, build the plant and hire the workers. Moreover, the price of the final good produced exclusively within the U.S. could also increase, reducing local competitiveness. For example, one focus group attendee suggested that the cost of a Ford F-150 truck would more than double if all of its constituent parts are eventually sourced within the U.S. An increase in price of that magnitude could encourage U.S. consumers to look for cheaper alternative vehicles from non-U.S. manufacturers.

85.7% of all survey respondents state that Arizona will be negatively impacted if USMCA is not renewed.

6. Damage to Arizona's Reputation and Role as a Trade Hub: One stakeholder claims:

“

“Without renewal, Arizona would lose not only economic stability but also momentum in building a globally competitive, innovation-driven region.”

”

Another argues:

“

Arizona's economy—particularly its technology, manufacturing, and logistics sectors—would face serious disruption. The state depends heavily on cross-border trade and collaboration with Mexico and Canada for supply chain integration, talent exchange, and market access. Losing the stability and shared standards of the USMCA would increase costs, create regulatory uncertainty, and weaken Arizona's competitive position as a North American innovation hub.

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Focusing on one of the few dissenting voices who is comfortable with the non-renewal of USMCA, they likened the issue to the Y2K concern and argue that Arizona will ultimately adapt to any regulatory changes in trading.

The majority, though, are not so confident, with stakeholders pointing out that Arizona is the “jumping off” point for Canadian companies operating in Mexico, and that a trilateral agreement is crucial for Arizona's relationship to both Canada and Northern Mexico.

Another questions the extent to which federal government officials understand the need for retaining USMCA. This stakeholder warned that attempting to rapidly undo decades of trade policy through executive action is unrealistic and would damage cross-border economies and lead to lost revenue opportunities for both Arizona and the U.S. as a whole.

If USMCA is not renewed, it could potentially be replaced by a series of binational agreements. However, 51.1% of survey respondents believe that binational agreements will make life harder for them to do business in North America, compared to only 8.5% who believe it will make life easier for them to do business.

Insights into why so many within Arizona firms believe binational agreements could make doing business harder were provided within the focus groups and one-to-one interviews. These include a lack of harmonization in trade rules, different standards for compliance between nations, and increased costs of transportation.

One major concern is the additional paperwork that could ensue. There is also a fear that a series of binational agreements will disproportionately affect smaller businesses engaged in imports and exports.

“

I think we recognize that as a large, sophisticated organization, we have resources to help navigate added complexities that smaller businesses don't enjoy, and the smaller the business gets, the more difficult it is to navigate every additional complexity. When you're stripping away multilateral agreements and forcing these bilateral agreements, the smaller the company and the more limited the resource, the bigger the challenge is to figure out how to work your way through that.

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Concern is also expressed about the time it could take to establish binational agreements.

“

It's impossible to know how long it would take to get to functioning bilateral agreements - but there will be damage done in the process and business will be impacted. Beyond that, it will send a negative signal to the rest of the world regarding US reliability and credibility.

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The preference instead is for the continuation of a trilateral USMCA:

“

North America needs to stay united for all businesses, tourism, and economic development to thrive.

”

WHAT ENHANCEMENTS TO USMCA SHOULD THE REVIEW CONSIDER?

Arizona businesses largely seek refinement and continuity - rather than renegotiation - to ensure USMCA remains effective, predictable, and aligned with modern economic realities. For example:

“*We would like to see USMCA renewed without reopening the agreement, so we have solid ground underneath us again.*”

“ We would like no end date to the agreement, perpetual review and updates to optimize the utility and outcomes of the agreement. Establish a North American “brand” that the agreement can better serve. ”

One stakeholder suggests that any enhancements made have to benefit all three signatories:

“ The agreement should not be subject to unilateral renegotiation. Any changes or updates must occur only when all three countries—Canada, the United States, and Mexico—mutually agree to do so, ensuring fairness and stability across the region. ”

RECOMMENDATIONS

Nine recommendations about improvements or enhancements are provided by Arizona stakeholders. These are, in no particular order, as follows:

- 1. Enhance the clarity of the current USMCA provisions.** This includes, but is not restricted to, an update of USMCA's Harmonized Tariff Schedule beyond the 2012 guidelines. Manufacturers in particular would like to see a greater understanding of the rules and provisions relating to supplier purchases, and the reintroduction of NAFTA's Certificate of Origin (CBP Form 434). The latter form was completed by an exporter to certify that goods originated in the U.S., Canada, or Mexico pre-2020. It was required for importers to claim duty-free entry for shipments over US \$1,000. Manufacturers in particular would like to see this form added as part of USMCA's Rules of Origin guidelines.
- 2. Create stronger alignment on technical and safety standards** to reduce duplication and speed up market access for the aerospace, semiconductor, optics, and medical technology sectors.
- 3. Modernize visa and professional recognition policies** to make it easier for engineers, technicians, and researchers to work and train across borders, thereby supporting regional upskilling. Expanding workforce mobility and talent exchange programs among the three signatories is recommended as a means of strengthening North America's innovation ecosystem and addressing the growing demand for skilled technical talent. A revised agricultural worker visa system that allows for year-round labor, ease of access and lower visa system regulatory costs and burdens is also suggested.
- 4. Ensure consistent and common application of USMCA** within the U.S., Canada and Mexico – for example, in terms of fair labor standards, or ensuring faster track-back methods and government cooperation for all food-growing locations. This could include the development of an enhanced mechanism for dispute resolution. Less than half of the survey respondents agree or strongly agree that USMCA has made it easier to resolve trade disputes in North America.
- 5. Prevent or curtail non-aligned nations from benefiting from USMCA** - for example, eliminate transshipments/import substitution, or restrict foreign direct investment in critical industries by nations outside North America.
- 6. Prioritize cross-border infrastructure improvements** (ports of entry, rail, and digital connectivity) to support supply-chain resilience and regional competitiveness.
- 7. Expand provisions that encourage joint research, IP sharing, and innovation funding** among U.S., Mexican, and Canadian institutions and companies. This could potentially include stronger and more consistent digital trade provisions, clearer data privacy and cybersecurity standards, and streamlined customs processes for technology products.
- 8. Retain and/or increase the level of de minimis parts that can be sourced outside North America.** Up to 10% of parts can currently be sourced from outside North America, shipped to one of the three signatories, made into a final good, and still qualify as USMCA. However, recent federal tariff discussions have raised questions about the future of these de minimis rules.
- 9. Consider more co-operation between the U.S., Canada and Mexico in specific areas** – for example, critical minerals, pharmaceuticals, food supply and security, music and entertainment, cross-border water and wastewater infrastructure.

FOCUS ON AGRICULTURE AND AGRIBUSINESS IN ARIZONA

The industry includes on-farm production of crops, livestock, and livestock products; agricultural support services; agricultural input suppliers; agricultural processing; and marketing and distribution.

Total Employment Impact: 126,000 full- and part-time jobs

Farm Operations: 16,710

Total State GDP Contribution: \$12.2 billion (\$6.2 billion direct; \$6.0 billion multiplier effects)

Total Labor Income: \$7.2 billion (\$3.9 Billion direct; \$3.2 billion multiplier effects)⁴

WHAT DOES USMCA MEAN TO AGRICULTURE AND AGRIBUSINESS IN ARIZONA?

USMCA is viewed as a mechanism to deliver free and fair trade throughout North America. It has facilitated uninterrupted agricultural production; kept trade channels open for importing affordable inputs and exporting agricultural commodities; and also granted the industry access to a steady supply of foreign labor.

WHAT ARE THE PRIMARY BENEFITS OF USMCA FOR THE INDUSTRY?

Supply chain efficiency, market access, business growth, and greater access to labor.

USMCA has allowed food and dairy products to move smoothly between the three countries. Retail buyers and consumers expect year-round availability of food products. The industry has been able to exploit North America's different meteorological conditions to diversify product offerings. USMCA has also offered access to international workers, to make up for

employment shortfalls during harvesting. Some farmers could not survive if they were exclusively reliant on U.S. demand for their products.

Including multiplier effects, the University of Arizona estimates that exports of agricultural commodities, food and fiber products contributed \$1.85 billion in output (sales) to the state economy in 2022.⁵

WHAT ARE THE CURRENT ISSUES WITH USMCA FOR AGRICULTURE AND AGRIBUSINESS IN ARIZONA?

Consistent enforcement of USMCA food safety standards, and the cheaper cost of production in Mexico.

For example, Arizona's food safety rules for testing lettuce are six samples three days before harvesting, but is it currently implemented and enforced in the same way in Mexico? Concerns are also expressed about the unequal way labor standards are applied in the three nations.

WHAT ENHANCEMENTS OR IMPROVEMENTS TO USMCA WOULD BENEFIT AGRICULTURE IN ARIZONA?

- Consistently enforce food safety standards in all three nations.
- Create more ways to work together on sanitary and phytosanitary issues.
- Agree a common framework for anti-dumping produce that also considers seasonality issues.
- Ensure Fair Labor Standards are applied equally, without undermining the unique circumstances of each nation (for example, Mexico sometimes offers housing, schooling or food in addition to wages).

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Agriculture has tripled since 1993 NAFTA. That's a win. ...People don't get how much of a success the free trade between the three countries have been.

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⁴First four rows of data are for 2022 and sourced from Montañía, Duval, Frisvold and Quintero (2024), Arizona's Agribusiness System in the State Economy. Available at: <https://www.azfb.org/Article/Beyond-Arizona-Agricultures-31-Billion-Number>

⁵Montañía, Duval, Frisvold and Quintero (2025), The Contribution of Agricultural Exports to Arizona's Economy. Available at: <https://ssrn.com/abstract=5187309>

FOCUS ON MANUFACTURING IN ARIZONA

Manufacturing refers to the transformation of raw materials, components, or parts into finished goods, typically on a large scale, using labor, machinery, tools, and chemical or biological processes.

Total Employment Impact: 584,920 full- and part-time jobs (including 200,738 direct jobs)

Total State GDP Contribution: \$90.6 billion (\$43.2 billion direct; \$47.4 billion multiplier effects)

Total Labor Income: \$50.7 billion (\$23.7 Billion direct; \$27.0 billion multiplier effects) ⁶

WHAT DOES USMCA MEAN TO MANUFACTURING IN ARIZONA?

USMCA is viewed as a comprehensive and seamless transnational trade policy which has fostered a tariff-free and cost-effective North American supply chain, strengthening collective economic competitiveness.

WHAT ARE THE PRIMARY BENEFITS OF USMCA FOR THE INDUSTRY?

Regional trade facilitation, tariff duty mitigation, and supply chain efficiency.

USMCA has produced a “...harmonized backdrop to businesses operating in North America” enabling manufacturers to regionally source products and services, move raw materials and finished products more smoothly between Arizona and Mexico, and avoid tariffs. It has also encouraged subsidiaries of Canadian companies to invest and establish a presence in the United States.

WHAT ARE THE CURRENT ISSUES WITH USMCA FOR MANUFACTURING IN ARIZONA?

Around half the manufacturers participating in the study currently experience no issues with USMCA, but there is widespread concern about the agreement’s uncertain future. A weakening or non-renewal of USMCA is perceived as a significant risk to Arizona’s innovation ecosystem, supply chain resilience, and cross-border collaboration. Some highlight the absence of a template for certification of manufacture for exports. While not intrinsic to the agreement, a couple of firms also bemoan the lack of suitable Mexican suppliers for their end-products.

WHAT ENHANCEMENTS OR IMPROVEMENTS TO USMCA WOULD BENEFIT MANUFACTURING IN ARIZONA?

- Simplify and digitize customs and permitting processes to reduce time and cost for companies moving high-tech components and equipment across borders.
- Create stronger alignment on technical and safety standards for aerospace, semiconductor, optics, and medical technology sectors.
- Reintroduce NAFTA’s Certificate of Origin template.
- Expand workforce mobility and talent exchange programs.
- Add a special program for semiconductor HTS, similar to the aviation/aerospace manufacturing framework.

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We’re no longer in an arms race. We’re in an innovation and technology race with a lot of our foreign adversaries, and in order for us to compete at their level, we need the best policy and pathways to do so.

USMCA provides that consistency and continuity that business requires to be able to long range, plan and forecast accurately, to be competitive, but also to innovate. Because we can’t innovate if we don’t know what the future holds, because our idea about what to do now could be completely lost or displaced if certain policies change.

And I think that it’s important to note, it’s more than just the financial aspect that’s on the line, it’s the future for this country when it comes to innovation and technology.

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⁶ First four rows of data are for 2024 overlapping manufacturing sub-sectors, sourced from Seidman (2025), The Economic and Fiscal Impact of the Arizona Commerce Authority’s Five Target Industries, State Fiscal Year 2024.

ABOUT THE L. WILLIAM SEIDMAN RESEARCH INSTITUTE

The L. William Seidman Research Institute serves as a link between the local, national, and international business communities and the W. P. Carey School of Business at Arizona State University (ASU).

First established in 1985, Seidman collects, analyzes and disseminates information about local economies, benchmarks industry practices, and identifies emerging issues that affect productivity and competitiveness. Using tools that support sophisticated statistical modeling and planning, Seidman today offers a host of economic research and consulting services, including economic impact analyses, forecasting, survey research, attitudinal and qualitative studies, and strategic analyses of economic development opportunities.

ABOUT THE ARIZONA-MEXICO COMMISSION

The Arizona-Mexico Commission (AMC) is a member-driven organization, whose mission is to increase quality of life and foster economic prosperity for all Arizonans by promoting a strong and cooperative relationship with Mexico. Chaired by the Governor of Arizona, the AMC's unique model of connecting business, government and community leaders from both sides of the border advances initiatives that provide mutual benefit to the Arizona-Mexico relationship.

For 66 years, the AMC has stood as an invaluable organization that facilitates a deep understanding of cross-border culture. Mexico is Arizona's top trading partner—annual cross-border trade between Arizona and Mexico totals almost \$20 billion—and the AMC continues to serve as a trusted voice and a binational convener for the megaregion.



ACKNOWLEDGMENTS

The Arizona-Mexico Commission gratefully acknowledges the Seidman Research Institute at Arizona State University for thoughtful research design and partnership in evaluating the impact of the United States–Mexico–Canada Agreement (USMCA) on Arizona’s economy. Their expertise and commitment to data-driven insight were essential to the development of this study and to ensuring its findings are both credible and actionable.

We also extend our sincere appreciation to the Arizona business leaders and industry stakeholders who generously contributed their time and perspectives through interviews, focus groups, and survey participation. Their real-world experience importing, exporting, and operating across borders provided invaluable context and depth to this research. The insights shared reflect the realities facing Arizona businesses today and help inform a practical, forward-looking assessment of USMCA’s role in supporting economic growth and regional competitiveness.

This report would not have been possible without the collaboration and engagement of all of our partners. Their contributions help ensure that Arizona’s voice is informed and unified as the United States, Mexico, and Canada approach the 2026 USMCA joint review.



Strengthening North American trade
through partnership, innovation,
and economic resilience.

