November 3, 2025

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Office of the U.S. Trade Representative
600 17th Street, NW
Washington, DC 20508

RE: Notice of Request for Public Comments and Notice of Public Hearing Relating to the Operation of the Agreement Between the United States of America, the United Mexican States, and Canada, Federal Register (Docket Nos. USTR-2025-0004 and USTR-2025-0005)

On behalf of the National Retail Federation ("NRF") and pursuant to the Federal Register notice published by the Office of the United States Trade Representative regarding the above-referenced investigation to inform the Joint Review of the operation of the U.S.-Canada-Mexico Agreement (USMCA), we are requesting to testify and submitting the following written comments which focus on the important role the USMCA plays in the American retail industry's ability to provide customers with goods either in-store or at home across the United States. We strongly recommend the United States confirm its wishes to extend the term of the agreement and continue its unprecedented economic empowerment. We offer recommendations for improvements that would build on its current success and further ensure the Agreement contributes even more to the competitiveness of the American economy, growing U.S. jobs and raising still further the standard of living for American households in every community.

NRF members support the continued operation of the USMCA as a cohesive trilateral agreement focused on the North American market. USMCA has operated effectively, overall, since its creation, contributing to supply chain resilience and economic development that has benefited American consumers, suppliers and the competitiveness of the North American region. This critical agreement establishes trade rules that apply broadly and consistently across the three economies and reduce compliance costs that would result from inconsistent rules. American retailers hope to grow their operations throughout this region, reaching the widest possible market of North American customers, including of goods manufactured in the United States.

I. Introduction

NRF passionately advocates for the people, brands, policies and ideas that help retail succeed. Retail is the nation's largest private-sector employer, contributing $5.3 trillion to annual GDP and supporting one in four U.S. jobs — 55 million working Americans. NRF empowers the industry that powers the economy. For over a century, NRF has been a voice for every retailer and every retail job, educating, inspiring and communicating the powerful impact retail has on local communities.

U.S. retailers and restaurants have had longstanding presences in the Canadian and Mexican markets for decades. They rely heavily on an integrated North American supply chain — which the USMCA has largely made possible — for the timely movement of products into their U.S. stores to provide consumers a variety of product choices at affordable prices, which is critical for U.S. consumers. For example, warehouse and distribution centers in the United States process goods for sale not only in U.S. stores but in Canadian and/or Mexican stores as well. The USMCA has been an important tool in that process. The USMCA's trade facilitation and investment provisions are therefore of importance to our members and their commercial success.

In addition, American retailers and restaurants have been sourcing goods for sale in their stores from Mexico and Canada for decades. Importantly, the USMCA has further helped and improved that option for retailers and restaurants. Apparel from Mexico has been important to our ability to provide value-priced goods to our customers in a timely manner. As the President has so rightly noted, the aim of the administration's trade policies is to promote the production of high-value goods that support high-paying jobs in the United States, rather than products that rely on more cost-sensitive production to sell competitively in the U.S. market.[1] The ability to source apparel from Mexico, and maintain measured rules of origin in the USMCA associated with that responsible sourcing, is therefore of importance to retailers.

II. <u>Recommendations</u>

Despite its overall benefits, it should not be surprising that some issues have arisen that could be addressed during the Joint Review. We want to emphasize that NRF members do not envision a whole-sale rewrite or renegotiation of the agreement but instead recommend U.S. negotiators address some or all of these issues with sensitivity to the broader view that the agreement is working. Overall, NRF recommends that the parties proceed with the Joint Review from a premise that any changes contemplated should "Do No Harm." This means goals of the discussions should be to avoid a three-way "trade war," to protect our members' supply chains, to move the review process quickly and to implement any revisions seamlessly.

While the USMCA has generally functioned well, the Joint Review offers an opportunity to address several challenges to further the smooth operation of North American supply chains to the benefits of producers, consumers and investors in the U.S. These include:

Tariffs

A fundamental feature of the USMCA is that qualifying goods enter commerce of each country duty free. NRF strongly urges the administration to reaffirm this feature of the Agreement by exempting qualifying goods imported from Canada or Mexico from current or proposed U.S. duties imposed under Sections 301 and 232, continuing to exempt them from the International Emergency Economic Powers Act and requiring special procedures before any future trade action that is global in nature or that is directed primarily at third countries under these or other statutes is applied to USMCA qualifying goods, similar to the special procedures

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[1] According to a Reuters report in May, the President told reporters during an Air Force One flight: "'We're not looking to make sneakers and T-shirts. We want to make military equipment. We want to make big things. We want to do the AI thing with computers…. I'm not looking to make T-shirts, to be honest. I'm not looking to make socks. We can do that very well in other locations. We are looking to do chips and computers and lots of other things, and tanks and ships "Trump Says US Wants To Make Tanks and Ships, Not T-Shirts," Reuters, May 25, 2025, https://gcaptain.com/trump-says-us-wants-to-make-tanks-and-ships-not-t-shirts/.

for goods from Canada and Mexico in safeguard cases under Section 201. The imposition of duties on imports from Mexico and Canada has proven to be costly, not only from the perspective of the additional tariffs which our members pay, not their Mexican or Canadian suppliers, but also with respect to USMCA certification of origin. Specifically, inconsistent enforcement and documentation requirements for obtaining the certificates of origin have led to brokerage delays and unexpected costs. This is especially burdensome for small retailers who are not experts in cross-border trade and do not have a team of custom brokers or lawyers handling what, for many, are small volumes of imports. More facilitation guidance and accessible documentation tools from U.S. Customs and Border Protection would therefore be enormously helpful.

In addition, the flexibility to source seasonal produce duty-free from both Canada and Mexico is vital to maintaining affordable, year-round access to fresh food for North American consumers. Preserving this open trade framework supports regional food security, supply chain stability and predictable pricing for households, while ensuring that producers, retailers and restaurants across all three countries can plan efficiently and meet seasonal demand.

Rules of Origin

USMCA rules of origin relating to textile and apparel products must remain workable. Overly burdensome (e.g., requirements for high U.S. content) and complex requirements can create unnecessary barriers, raise costs and limit innovation. The administration should support exclusions for semi-finished goods and raw materials not feasibly produced domestically by refining the list of specific textile and apparel products eligible for single transformation rules, and/or maintaining the ability of North American manufacturers to source certain componentry/inputs from third countries (e.g. trims from Central America) to achieve USMCA eligibility.

Other specific textile and apparel rule of origin revisions that would make USMCA rules of origin more workable, particularly for textile/apparel products, include:

- Allowing for the utilization of other free trade agreement short supply fabric yarns, or trims (e.g. from the Dominican Republic-Central American Free Trade Agreement, or other regional trade agreements) to be used to qualify for USMCA benefits; updating the short supply list; making the cumulation provisions reciprocal for DR-CAFTA members (i.e., DR-CAFTA fabric can be used to make qualifying apparel in Mexico, just as Mexican fabric can now be used to make qualifying apparel imported under DR-CAFTA);
- Allowing for a higher *de minimis* amount than 10% for qualifying apparel imported into the United States;
- Continuing the tariff preference level (TPL) program, but removing restrictions on which apparel types can claim TPL provision (e.g., certain denim products cannot benefit from TPL); and making it easier for smaller/medium sized importers to get apparel tariff preference level allowance from Mexico’s Customs authority;
- Expanding the list of item types eligible for a “Single Transformation” rule of origin, or introducing a process to petition for more item types to be eligible for that rule;

- Removing the requirement that elastomeric yarns/strips must originate in apparel items to qualify for USMCA benefits;
- Removing the requirement that man-made fiber sweaters traded between Mexico and the U.S., classified under HTSUS 6110.30, follow a fiber-forward rule or origin.

Dispute Resolution

Dispute resolution mechanisms should remain robust and neutral. The parties should use this opportunity to reinforce rules-based dispute settlement mechanisms to guard against unilateral restrictions. Weakening these provisions would undermine business certainty and increase risk of unilateral trade restrictions.

In addition, the United States should ensure that the rapid response labor mechanism remains targeted and practical. That system has been very helpful in ensuring that production facilities in Mexico properly respect worker rights. Retailers support the expansion of labor attaches and want those to remain part of the Agreement. There are legitimate concerns, however, regarding the lack of transparency and due process afforded to companies that are the object of complaints, which should be resolved with this Review.

Termination of the Agreement

Developing integrated North American supply chains requires planning, significant capital commitments, and stable regulatory and policy foundations. The parties should reject new termination or sunset provisions that could inject instability and discourage investment in the USMCA region. Ideally, the six-year period between agreement reviews should be increased to ensure longer term supply chain certainty with stable rules of origin that will allow for long-term investment, planning and other sourcing decisions.

Investment

USMCA investment protections also provide certainty with stable, long-term investment rules that ensure the commitments made by all three Parties. Parties should agree to avoid new restrictions or rigid content rules that could discourage cross-border investment in retailing, manufacturing, sourcing and logistics. Any changes to the agreement that would impact future investment should include grandfather protections or a transitional period for major capital investments that were started before the changes to the Agreement to avoid upsetting the expectations of the investor at the time the investment decision was made. The Parties should also recognize that any changes to the rules of origin that make them more restrictive may undermine prior or ongoing investments. The Parties therefore should limit any such restrictive changes to the rules of origin and/or otherwise provide notice and a transitional period for our members to adjust their supply chains before any such restrictive rules of origin go into effect.

Digital Trade

NRF members rely on the free flow of digital products across borders and eliminating customs duties on those products regardless of the country of origin (United States, Canada or Mexico). The administration should seek to maintain and expand Chapter 19 digital trade guarantees and ensure emerging privacy/AI/data rules continue to enable cross-border flows. We seek prohibitions on forced data localization, ensuring that companies are not required to store data locally to operate in another jurisdiction. We also depend on protection of source code and algorithms.

Customs and Trade Facilitation

The USMCA should enhance trade facilitation and regulatory coherence to ensure predictable, efficient border processes. Customs regimes — particularly in Mexico — present risks of excessive penalties, arbitrary license limits or sudden regulatory shifts. A particularly onerous example is the "Mexican Customs Law Reform," approved by the Mexican Congress in October 2025, which adds numerous burdens onto Mexican customs brokers that will ultimately negative impact U.S. exports. Specifically, the USMCA should:

- Modernize and harmonize customs standards that accelerate clearance and simplify compliance.
- Create a trilateral customs modernization program, particularly in border zones or major logistics corridors, and expand the use of trusted trader/pre-clearance/advance data systems. Safeguards should require proportional enforcement, transparent rulemaking and adoption of digital tools to ensure predictable and cost-competitive cross-border flows.
- Preserve simple and clear procedures for ecommerce shipments and small parcel trade. It should create a unique tariff classification for previously purchased consumer goods to reduced barriers to the trade of used goods.

Small Business Support

Small businesses are the backbone of the U.S. economy and of U.S. retail. USMCA should enable small businesses to fully participate in cross-border trade, fostering an inclusive environment for small and medium-sized enterprises to thrive in the global digital economy. It should establish a clear and accessible channel for stakeholders to raise and address operational barriers hindering digital cross-border trade, ensuring timely and effective policy responses. Also helpful would be implementation of a mandate for all Parties to conduct annual assessments and publicize findings regarding trade barriers specifically impacting small businesses in the U.S., Mexico and Canada. Small businesses would further benefit from a duty drawback solution with low barriers to access, enabling SMEs to enhance their competitiveness in international markets.

Recommendations for Addressing Other Issues Important to American Retailers

- Advance provisions ensuring omnichannel commerce across North America, which are increasingly critical to modern retail. It is no secret that Ecommerce sales as a share of total retail sales have been steadily increasing, and not just since the pandemic.[2] The United States should seek to enhance the ecommerce provisions within the USMCA

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[2] Ecommerce sales as a share of total retail sales increased steadily from just under 8% in 2016 to 12% in 2019, jumping to approximately 16% during the pandemic, and remain at that share today. "Quarterly Retail E-Commerce Sales, 2nd Quarter 2025," U.S. Census Bureau News, August 19, 2025, https://www2.census.gov/retail/releases/historical/ecomm/25q2.pdf.

chapter and actively promote the development and adoption of interoperable digital payment systems across member countries.

- Prioritize the resolution of legacy disputes prior to negotiations (e.g., agricultural tariff-rate quotas, cross-sector regulatory challenges) to reduce uncertainty.
- Seek energy market fairness by reinforcing the determination that private companies — domestic and foreign — must be able to compete in electricity generation and supply without preferential treatment for state-owned entities.
- Push for deepening regulatory equivalence mechanisms, joint standard setting and measures to prevent "regulatory drift" across parties.
- Harmonize labeling and consumer standards**.** Divergent initiatives (e.g., origin labeling rules) risk creating non-tariff barriers if not harmonized under USMCA obligations.

III. Conclusions

NRF appreciates the opportunity to provide comments on this matter. The USMCA Joint Review presents the United States with an opportunity to reaffirm the overall aim of the agreement (to support economic growth and related jobs within an integrated North American supply chain that enables manufacturers in the three parties to compete with lower-cost manufacturers outside the region to the benefit of consumers in all three parties). Operation of the Agreement coupled with some recent trade actions external to it suggest some "course correction" opportunities for the parties to consider during this Review. NRF respectfully offers recommendations that, in our members' views, will avoid a three-way "trade war" at home and among our closest neighbors and allies, while protecting our members' supply chains. We also request that the Parties move the review process quickly and implement any revisions seamlessly.

NRF appreciates the opportunity to provide comments on this matter. If you have any questions, please contact me or Jonathan Gold, NRF's vice president of supply chain and customs policy.

Sincerely,

David French
Executive Vice President
Government Relations