USMCA review raises the stakes for North America trade

Transcript

00:01

DAVID SITES

All right, welcome to the D.C. Dispatch. I'm David Sites from Grant Thornton. Today we're discussing one of the most important trade policy issues that face manufacturers and companies operating all across North America today. And I'm talking about the future of USMCA, or the U.S.-Mexico-Canada Agreement.

This agreement, right, is like, the central operating framework for North American trade. And it's led to a lot of integrated supply chain development. It's been around for a while. And the agreement's kind of at a critical period now. The review is kind of underway and taking place. And we'll talk a little bit more about that.

But there's a lot of concerns amongst multinationals and a renewed focus on domestic manufacturing capacity and the future of supply chains.

So we're going to try to take a practical approach to this. We're going to unpack what's going on in Washington, what it might mean for manufacturers, talk a little bit about the impact on supply chains, and maybe hypothesize about what companies should be thinking about, what companies are thinking about and talk about how this policy issue might continue to evolve.

So I'm super excited to have with me today, again, on the podcast, Colin Wilhelm. Colin is a frequent podcast contributor. He's a manager in our policy group here at Grant Thornton, the Legislative Affairs group. And Colin is particularly good in the trade space at translating these complex policy developments into practical business considerations for companies that are looking to make, you know, investment sourcing and compliance decisions.

So Colin, super good to have you here again on the D.C. Dispatch.

01:39

COLIN WILHELM

Good to be here again, David. Thanks.

01:43

DAVID SITES

Okay, we're also very excited to welcome Andrea Durkin from the National Association of Manufacturers. NAM is one of the leading voices for manufacturers in Washington, and Andrea brings a tremendously impressive background and a valuable perspective on trade policy, manufacturing competitiveness and what companies are actually experiencing.

So Andrea, before we jump in, I'd love to give you a chance just to introduce yourself, describe your role at NAM and share how NAM's thinking about trade policy right now.

02:17

ANDREA DURKIN

Thank you so much, David and Colin. It's really a pleasure to be here with you today. I am, as you said, I'm vice president for international policy at the NAM. And right now, for the last year and a half, that pretty much means tariffs and USMCA. These are the top two issues for pretty much all of our members and it is … the most fluid environment. I've been doing trade policy for 30 years now inside the government and outside the government. This is the most fluid environment we've had in decades. So yes, as you said, we are all watching, monitoring, thinking about what the future holds while trying to parse out the announcements that come fast and furious and help companies understand what it means and what kind of decisions they should be making around these announcements.

It's a challenging environment. I would say the complexity that has been introduced into the environment is one of the biggest challenges with respect to both compliance and forward planning, and also the cost, of course. So the biggest concern that companies have across the board is the sheer cost, which is having an impact. I know we'll talk a little bit more specifically about what those impacts look like and how companies are trying to cope with that.

03:39

DAVID SITES

Yeah, it's a massive agreement. When you think about USMCA just in isolation, there's like, what, $2 trillion worth of trade. That's … Colin, you and I were talking about this, pretty equally split between Mexico and Canada. And it's like far-reaching, obviously (for) automotive, energy, a whole bunch of things that affect everyday prices, right? For Americans, but also affect operating costs for clients. And so I want to jump in and I want to talk about USMCA first, if we could. That's where I think we're going to focus a lot of our time.

But Andrea, to come to you first, when NAM's talking with manufacturers, is this negotiation viewed as, "Hey, this is a positive modernization exercise." Do they think this is a substantial kind of rethink of what North American trade policy looks like? Or is it just uncertainty about where this is heading? I mean, what's the flavor that manufacturers are feeling right now?

04:40

ANDREA DURKIN

Yeah, I let me first address what you, you know, what you described through a manufacturing lens. USMCA has a lot of historic importance for so many reasons. It is the most complementary and symbiotic set of trade relationships the United States has, and certainly the most pro-manufacturing trade agreement that we have. And the relationships and the flows that you described, they are built and sustained on the foundation of USMCA.

And it's successful in part because it enhances the geographically natural trade flows, right? We always trade, (and) you're always going to trade more with the countries that you're adjacent to. But we also have the fortune of having different strengths and resources that we can pull through the agreement. And we have the highest standards of any FTA (free trade agreement) in this agreement.

And so we talk a lot about the deficit and what we buy from Canada and Mexico. What's often left out of this equation is that we export 1/3 of all U.S. manufactured goods to Canada and Mexico. That is more than to the next nine U.S. manufacturing export partners combined. This is the top market for U.S. manufactured goods, Canada and Mexico. And since implementation of USMCA, 15 of 18 manufacturing subsectors have increased their exports to Canada and Mexico, and they're growing faster than to other markets.

So that is a big, important part of the equation, that they are our best customers. But then, of course, what we buy from Canada and Mexico sustains and feeds more manufacturing in the United States. Because 71% of what we buy from Canada goes into U.S. manufacturing. Sixty-four percent of what we import from Mexico are inputs to more manufacturing in the United States. And these are related-party transactions.

So I know we're talking to a bunch of numbers people and accountants who will appreciate the fact that these are related-party transactions, right? Half of what we're buying from Canada, nearly 70% of what we buy from Mexico is trade within a single corporate parent.

So that shows you, it speaks to what you were describing, which is this fundamental feature of USMCA is that we've grown these regional production clusters, whether it's electrical equipment or automotive or aerospace, it is truly regionalized co-production.

So, we care a lot about the USMCA, as you said. It is really the top concern for, I'd say, most of my members, is the stability of this agreement. And your question was, what are we doing here, basically, right? Is this a rethink? Is this a renegotiation?

I've been involved in free trade negotiations for 30 years. Some of the agreements that I was involved with were 25 years ago. It was never our intention to lock our trading partners into terms that would be, you know, over time unfavorable … or ourselves for that matter, right? The economy is constantly changing. And one of the big factors that we have to account for now is the competition from China and the threat from unfair trade practices by non-market economies like China.

And so I think what the administration is trying to do here is to address two things at once. One is the China factor. How do you make sure that the benefits of this agreement accrue mostly primarily to the parties to the agreement, but at the same time … and to address these unfair trade practices that I talked about, things like circumvention of anti-dumping orders or circumvention of the rule of origin to benefit from USMCA? So those things probably do need to be addressed in kind of a modernization of the agreement.

At the same time, the administration has talked a lot about not just nearshoring, but onshoring as much production as possible and maybe increasing the amount of U.S. content in USMC-qualifying goods vis-a-vis even Canadian and Mexican content. So these objectives need to be balanced against one another because we are more competitive vis-a-vis China because of our regional relationship here.

09:10

COLIN WILHELM

Can you drill down a little bit on what this … the administration started this annual review process on July 1. It's pretty unusual for a free trade agreement to have this sort of process. I think it's the only one in the world that has it, if I'm not mistaken. And can you talk a little bit about the timeline of potential changes that could result from this annual review that's happening by U.S., Canada and Mexico?

09:35

ANDREA DURKIN

Yeah, you're right. The construct of this review and the idea of having a sunset provision is unique to the USMCA. But I would point out that in all of our previous FTAs, there is something called a Free Trade Commission that,
a committee that would meet annually with the idea of talking about how the agreement is functioning. So that concept is not a unique one to free trade agreements. It's not often used. I'll be candid about that.

And so I think what the administration was trying to do here was to make sure that we were checking in on a regular basis on how the agreement is functioning. That's fair. And that makes sense. And that may be in the interest of all the parties, you know, to a certain degree.

But we've made it into a little bit of a high-stakes game here by saying that, you know, we had an opportunity on July 1 and may have an opportunity insofar as this goes on annually to have a discussion not just about that, but whether we would extend proactively the agreement for an additional 16 years.

So that is an opportunity we have. Not doing it isn't catastrophic. So I think we probably need to kind of lower the temperature on, you know, making the review so high-stakes, right? That it moves away from its intended purpose, which I think is to fine-tune, to evolve the agreement, to make sure it’s functioning the way we want it to.

I think, seen through that perspective, the kind of changes that we might see might fall in a couple of different buckets, maybe three, in fact. One might be implementation, normal sort of consultation around implementation issues. With the volume of trade and the breadth of this agreement, there will always be implementation issues on any given day. Regulations are always changing. You can make improvements at the border and the fluidity while managing for risks. We have a high degree of coordination across our countries because of our shared borders. That can always be improved and it should be regularly discussed.

And in fact, I think we would argue that putting in place, reinstituting some of the institutional structures we used to have under NAFTA, where we would have regular conversations about customs cooperation or anti-dumping cases or regulatory harmonization, that's a very healthy thing to do. We should probably reintroduce that so that we are talking on a regular basis, not just on an annual basis, or not just talking throughout the year because we're meeting an annual deadline. So implementation is one of those kinds of buckets.

Another would be improvements to the way the agreement could be operating and things that we could be doing additionally together. So that might be things like customs facilitation or having discussions around how we maximize the benefits of our energy platform or working on syncing up on AI policy or critical minerals policy. These are things that without changing the agreement, you can build on top of the agreement.

But then there's this other category of serious and significant changes to the way the agreement operates that could affect our ability to even use the agreement. And there, it could be things like rules of origin, which we know are under discussion.

13:00

DAVID SITES

You know, you talked about the, on the one hand, immensely important arrangement, agreement for us, right? Huge trading partners, obviously our two biggest trading partners in Mexico and Canada. On the other hand, some real opportunities for improvement around managing things like global supply chains and whether there's transparency and risk that others are benefiting from this North American union. And are we getting what we should really get out of the arrangement?

I want to take a step back and put myself in the mind of the manufacturers that look at this. In the short-term and in the long-term, what do you think would be a constructive outcome here? Incremental change? Are there certain key factors? You named three buckets where things might fit in. But in the near-term, what would be constructive for manufacturers? A lot of manufacturers I talked to said some certainty would be constructive. If we just kind of knew what the rules were going to be, we could get on with our lives. So what do you think is constructive in the short term here?

13:59

ANDREA DURKIN

Yeah, well, certainly continuity is important. Companies are … and I know we'll talk a little bit more about this … but companies are a little bit stymied in their decision making here for good reason, because they could make a CapEx decision with certain numbers baked in. But if the tariffs change significantly and you're buying very expensive pieces of equipment, 25% on top of that is (a) very significant impact to your CapEx budget. And so I think there is a chilling effect that is happening because of the lack of certainty.

On the other hand, we don't want to see rapid changes to technical issues like rules of origin, because that gets at the beating heart of how companies have constructed their business and their supply chains. And there are so many knock-on effects when you make one change.

So if you're talking now about things like electronics and semiconductors in cars, those are electronics and semiconductors that go into a lot of different products. And so if you make changes to the rules of origin there that have an impact to the supply chains, those inputs that are going into myriad other products. Then you have a much larger ripple effect throughout the economy and to all of manufacturing.

So there, our advice and encouragement to the government is, “Please work with us.” We will be happy to test-proof some innovative ideas around rules of origin. We would love to talk about how to prioritize what types and parts of the manufacturing process are most vital, most important to retain in the United States, and where we maximize and leverage the advantage that we have in spreading some of that production out throughout the region.

Obviously, we need raw materials we don't have in the United States, and we have it north-south, and we should take advantage of that, and we shouldn't be adding cost to that, because that only diminishes the competitiveness of our products, not just within our own market, but because we use the North American market as a global export platform.

So we want to go a little more slowly with this conversation, make sure we understand the real endpoints that the administration has set for itself, the goals that we share of increasing manufacturing, of combating unfair trade practices, of making sure that we all benefit from the agreement more than anybody else. But to do that means we have to really unpack the details of this, test-proof the ideas against real business models, and that means working with the private sector.

16:44

DAVID SITES

So what I'm hearing is abrupt changes, fast pace of change, very disruptive to supply chains that have been built, as you said, I love your word, the foundation of USMCA, right?

So I could have … we should have left like two hours for this podcast because there's so much we could talk about. But I do want to … you know, it's July 24 when we're recording this podcast. And Colin, I want to turn to you for a second. If you could sum up for us the tariff backdrop to all of this. I know we had some expiring tariffs, some new tariffs have come online. We saw the president invoke Section 338 specifically with one of our USMCA trading partners, Canada. And so can you talk a little bit about what happened in the last week or so with tariffs? And then I want to talk a little bit about how that impacts the backdrop of this trade negotiation.

17:40

COLIN WILHELM

Yeah, absolutely. So you have seen, I think, through this USMCA, this lead-up to the annual review process, a bit more tension. And I would be curious to hear Andrea's thoughts on this, too. A bit more tension between the U.S. and Canada over basically trade issues.

And we saw a pretty major escalation of that or a new kind of chapter in that with this invocation of Section 338, which has never been used before, it dates back to 1930, the famous Smoot-Hawley Tariff Act of 1930, for everybody who's a *Ferris Bueller's Day Off* fan. And that's going to look like a 50% tariff on certain Canadian goods totaling about $20 billion in imports from what I've read. That would go into effect Aug. 19.

I am very curious as to whether the administration sees this as something that is definitely going to happen or sees it as a leverage point perhaps for ongoing conversations with the Canadians, even though they haven't announced any formal talks the same way that they have with the Mexican officials, trade officials.

There's certainly been some conversation and some contact that's been publicly acknowledged by both sides over USMCA and some of these ongoing trade issues that the Trump administration has raised. And so I'm very curious in terms of what Andrea was talking a moment ago about how, you know, this should be kind of a deliberative process in terms of some of these changes. But we do have basically a month deadline right now as of the proclamation that was made on Tuesday, or excuse me, Monday, for … to avoid a potential escalation in some of this back and forth between Canada and the U.S. So I'm wondering how that kind of colors the U.S. and Canadian interaction over USMCA right now.

19:53

ANDREA DURKIN

Sure. Well, first of all, let me give you credit for the *Ferris Bueller* reference. I taught at Georgetown for 20 years, a class on international trade policy. And I always, when I got to the Smoot-Hawley Tariff Act of 1930, would give a quote and see if the students year after year would recognize the quote from *Ferris Bueller*. I'm glad to say they always did, so it endures as a classic. Unfortunately, we all now need to know these 1930s statutes.

So your question is, why invoke it now and on this sort of short deadline? And I do think that this is a goal by the administration to get these issues cleared and resolved in the near-term more quickly than they have been. Dairy has been discussed for decades. And the president has talked about dairy for the last year and a half. So it's very clear that that was always going to be an issue that he was going to seek some progress on.

The other two issues are a result of the back and forth over the last year and a half. The motor vehicle tariffs that, you know, this is the retaliation, retaliatory tariffs that Canada put into place and the action that the provinces took or the, you know, as a result of sentiment or whatever it was, with regard to alcoholic beverages. Those latter two are things that could be resolved very quickly and I think should be resolved very quickly. We should just try to get back to the starting line here. And that would be our view is to try to normalize relations and clear the underbrush as much as we can because motor vehicle trade between our countries is vital.

I grew up in Detroit. I know the volume of trade that goes across or used to go across the Ambassador Bridge. We won't talk about the other bridge and the controversy there, but suffice it to say, some about a quarter of U.S.-Canada trade goes across that bridge and it's related to the automotive industry. We would like to get back to, you know, a normalization of that. So we would love to see Canada take action in a short period of time.

And then we get back to discussing the deeper implementation issues and the evolution of this agreement and put the focus where it needs to be. So I do think this is an attempt to get resolution of those issues rather than to see the imposition of tariffs by Aug. 19.

22:15

COLIN WILHELM

Do you think that this has a … do you think that will be effective for maybe spurring quicker action by the Canadians or does this have the potential for upsetting negotiations further, upsetting trade relations further, and maybe putting USMCA, the future of USMCA into doubt?

22:39

ANDREA DURKIN

Well, I think the dynamic continues, unfortunately, as it has for the last few months. And I think it would be very good to break the pattern and for Canada to offer something here that shows that we're moving past, you know, those issues and toward resolution and solutions here because … I'll give you an example. We do need to address the 232 issues as between the U.S. and Canada and Mexico, because that is an inhibitor to some degree in bringing some production back to the United States. For example, if you want to make wheels for cars made out of aluminum, then we would like to import that aluminum from Canada for further production in the United States, because we cannot satisfy that demand here.

So some of that is in our own interest to do, and we'd like to see the opportunity to move forward on those issues. And therefore, if we can clear the underbrush on these other issues very quickly, we think we can move forward on the things that are going to matter for manufacturers going forward.

23:42

COLIN WILHELM

And yeah, just translating trade statutes a little bit, those 232s are specific tariffs to aluminum, steel, copper, some other materials that we trade with Canada and Mexico, as well as their derivative products.

23:57
ANDREA DURKIN
Yes.

23:59
DAVID SITES
And then I would add just last night, just to round out the story, right, Colin, and correct me if I'm wrong, because you're my guru here, but the tariffs that were put in place under Section 122 in the wake of the Supreme Court decision, (listen to our prior podcast if you're not familiar with that), those expired, I think, last night, at like midnight …

24:21
COLIN WILHELM
12:01

24:22
DAVID SITES
Yeah … the White House announced some new tariffs, right, that are going to come online to kind of replace those that were the result of some Section 301 investigations, if I have that right?

24:33
COLIN WILHELM
So yeah, we have the … this has been building for a few months and was pretty much expected the second that the Supreme Court ruled against the use of IEEPA for tariffs by the administration earlier this year. They are now utilizing Section 301 of the Trade Act in 1974 to really re-implement and basically rebuild a lot of the tariff wall that went up last year. And as Ambassador (Jamieson) Greer, the U.S. Trade

Representative (who is really one of the main policy makers here) put it, I'm paraphrasing slightly, but basically the tools are different, but the strategy is the same. As far as trade, when he was, he testified earlier this week for the Senate Finance Committee and basically said that in his opening remarks.

25:23

DAVID SITES

So Andrea, I got to ask you, like, when we talk to companies, is this trade environment, is this new normal? I mean, we see the administration continue to find ways to maintain this policy. I think a lot of companies thought this was disruption and it would settle out somewhere. Like, where are we on this? Is this ...
are we in the, you know, medium-term? I know you can't answer this question for sure, but I'd love your perspective. Is tariff, you know, state the new normal or is this still fall in the disruption category and there's more to be seen here?

26:01

ANDREA DURKIN

There is more to be seen here. Some level of tariffs, some form of tariffs are going to be with us for some period of time now. It’s very difficult to unwind the complexity of all of this in any simple way. The statutes are different. They’re premised on a different set of objectives, a different set of acts and practices and policies. They can be used differently.
The 122 was basically a global tariff, and it was designed for some emergency purposes with respect to balance of payments. The Section 301 is a 1974 statute that in the case that we're talking about, the forced labor, they combined 60 different investigations on the same topic into one approach. But they are separate tariffs. They are considered separate investigations. The same thing will happen with the excess capacity for the 16 countries involved in that.
But it is a tool that historically was used sparingly to achieve an outcome on a specific policy with a specific country. And tariffs were rarely invoked because they were designed to induce a resolution to that policy, a change to that policy to eliminate the unfair practice, the discriminatory practice. But my point there is that

we were waiting to see the outcome of the excess capacity investigation, but the administration can continue to deploy Section 301 investigations on a discreet set of policies with specific countries. And we’ve seen that now with Brazil, we’ve seen that now in the open-for-comment investigation into Germany's foreign reference pricing for pharmaceutical products. And we may see that for other issues with either a set of countries, the EU or specific countries.

On top of that, as Colin described, we have a spate of Section 301 … sorry, Section 232 tariffs in place and some investigations that are already in the works, but no announcement has been made that will affect virtually the entire manufacturing economy. So what we're waiting on are things like the second part of semiconductors. We're waiting on industrial machinery and robotics. There isn't a single manufacturer in this country who wouldn't be affected by that.

So there is more to come. Some of those may be more durable than others. The Section 232 tariffs are likely to become more durable in place for longer periods of time. And that those are those are essentially global, unless the administration decides to start doing what it did previously with some of the metals 232 tariffs, which is to negotiate country-specific deals, which could be in the form of TRQs or other, you know, other outcomes there.

28:58

DAVID SITES

So I think I want to come to both of you kind of on the heels of that. What are manufacturers supposed to be doing? Like, how do you think about this? Should they be testing alternative supply chains? Should they be modeling? Should they be acting? Does it really makes sense? You mentioned before, companies are delaying investment decisions. You know, some are diversifying suppliers as a way to like protect a little bit, but really, if I'm a manufacturing executive, how do I put this into context and how do I make business decisions, right?

29:30

ANDREA DURKIN

Yes, yes. As you may know, the NAM runs a quarterly outlook survey. We are in the process of maybe soon putting out into the field the Q3 manufacturing outlook survey. But according to the second quarter survey, manufacturers in previous quarters had put trade uncertainty as their top business concern, it slipped to No. 2, but not by much.

What overtook it in this quarter was concern about increased raw material costs. That is certainly connected to the tariffs. That is a concern that 83% of manufacturers cited, and it ranked highest for the small and medium-sized manufacturers. Trade uncertainty continues to come in as a close second, and 72% of respondents ranked that highly, and it was ranked first for companies with 500 or more employees.

So companies are concerned about the increase. il you look at the producer price index, prices for diesel fuel are up 105%, almost 106%, prices for industrial chemicals, non-ferrous metals, truck transportation, all of those things have risen quite significantly year on year, and it continues to be a very big concern. So, and 44% said they want to be purchasing industrial machinery. But to your point, if I put the order in now, I'm probably not going to take delivery for at least a year from now. And I don't know what the tariff is going to be on that. That could be a significant price increase.

So what are they actually doing in response to the uncertainty, or not doing in response to the uncertainty? We ran a snap survey in February. We had over 400 companies respond in the span of a couple of weeks. And a couple of points are maybe somewhat obvious. Ninety-two percent reported that the tariffs just in 2025 increased their cost of doing business. That's maybe an obvious point.

But how have they behaved as a result of, you know, the impact to business? Well, almost 51% said they reduced or held off on capital equipment purchases. Twenty-one percent said they delayed facility groundbreakings, openings, or expansions. And 19.8% said they reduced or held back on R&D. If you think about that, that's going to have a long-term negative impact.

But it's also having a workforce impact. Thirty-eight percent said they were slowing hiring, 23.8% said that they didn't fill job openings, 18.9% said they made workforce reductions. And another big percentage said they were cutting shifts or reducing overtime. Some enacted a hiring freeze. We're not seeing all of that in the top line

numbers, but these are very significant negative impacts.
And another, I'll throw one more statistic at you because you've got a lot of numbers, people who listen to your podcast. Nearly three quarters, 70% of them, said that the tariff costs had reduced or limited the positive impacts of the tax provisions of the One Big Beautiful Bill Act. So that also speaks to, you know, the calculations that companies are making about factory expansion. You know, if your tariff bill is now overtaking by millions, you know, like one company say, "Well, it's great. We would have had a first-year factory expensing reduction of $200 million, but our tariff bill on the inputs going into the construction of this facility is $250 million. So that's straight math, right? So, yeah.

33:08
DAVID SITES
Yep.

33:09
COLIN WILHELM
Yeah, I think a statistic that always surprises, or that has surprised people, not always, because it hasn't, it's not that old, but Q4 last year, the federal government took in more tariff revenue than corporate tax receipts. So that's something that kind of sheds more light onto the impact that you're describing.

33:29
DAVID SITES
All right, so we got to bring it home. I want to ask, though, what are the look-fors? What are the watch points? And I want to come to both of you. You know, what should companies, including manufacturing companies, obviously, be watching in Washington over, say, the next six to 12 months? What are the key look-fors? Colin, you want to take it first?

33:56
COLIN WILHELM

Sure. Well, Andrea mentioned the additional Section 301 investigations that were ongoing. Those could be another sort of shoe to drop in the coming weeks to months of this year. We also have the Section 232 investigations that could be really broadly impactful. I think people sometimes focus more on the country-by-country because it's a little bit easier and the product ones can be a little bit more, I guess, amorphous, but in a lot of ways those can be even more impactful.

In the nearer term, I think the question … the literally $20 billion question here … is going to be whether or not the Section 338 tariff is a negotiating tactic or a, you know, a real policy change by the administration, whether that's something that they're going to follow through with as of Aug. 19 to begin tariffing some of those Canadian products at a 50% rate.

And then, you know, what happens with USMCA negotiations? Certainly some of the administration has a long laundry list that we've talked about, touched on during this conversation as far as what they want to accomplish through this. But, you know, auto manufacturing seems to be a huge touch point: rules of origin, dairy, some of the other. I know there's been some ongoing conversation between Canada and the U.S. over digital trade issues too. So that's another area worth monitoring.

It's really … this is an unusual time in trade policy, as I'm sure Andrea can speak to even more than I can, in the sense that you don't normally have these many shifting parts all at once. And it's something that makes it a really fascinating area to watch right now. And also, I'm sure, for people trying to operate in this environment for their businesses also can be a little bit frustrating or a little bit uncertain.

36:05

DAVID SITES

Yeah, Andrea, what are your thoughts?

36:08

ANDREA DURKIN

Yeah, Colin really covered the waterfront when it comes to the very specific tariff policies to be watching for and anticipate. Maybe what I'll add to that is a wider lens of the U.S.-China relationship and how that is really driving so much of the thought process here.

I think what you will see over the next few months is a desire to maintain some stability in this relationship so that we don't see China, for example, threatening to restrict critical minerals … any number of things … through their export control regime, which they continue to build out.

And they will be watching for anything that we do to restrict export, you know, to tighten export controls and to tighten, you know, tighten their ability to invest and sell into third markets where we compete with them and to continue to raise a focus on their industrial subsidization that leads to overcapacity and global imbalances. This is what is underlying the conversation, even if we're not having it as an outright conversation. And I think it will drive this desire to continue to make investments in the technological race, in advanced manufacturing.

There is opportunity in that, in the sense that the government is trying to do and put in place a lot of different policies to support an environment where we can retain competitiveness in advanced manufacturing and leapfrog, if you will, in some of these key technologies in certain sectors where we need to have pre-eminence and retain pre-eminence. So that, I think, will be an ongoing conversation.

The counterpoint to that is the need to then reduce reliance where there is over-reliance on a single market and, you know, concentration choke points. And those choke points are the same for the United States as they are for every other country in the world. And that also has to be addressed.

I think what we would argue from the NAM point standpoint, from a manufacturer standpoint, is that our global footprint and diversification globally with allies is a source of resilience. That is the way we counter that. So we cannot continue on a path where we are so focused on the U.S. market and raising tariffs and that we are that we are alienating the very allies and the trading partners that we need to compete against China going into the future, that we need for resilience, that we need to make sure also can with … endure the impacts of China's policies. We need them to be also able to do that. That means building coalitions, maintaining those coalitions, and looking at trade policy as an opportunity to shore up those relationships. So I hope that we will shift also into that gear and use some of these trade talks and trade policies toward those ends as well.

39:17

DAVID SITES

Well, thank you for that. I agree. And I think there's a tremendous amount of uncertainty. This has been a very, very helpful discussion for me. I have a couple of key takeaways, right? First, USMCA is obviously enormously important to North American countries, right? There's no doubt about it. Second, businesses are operating in a state of uncertainty that is, I think, historic, right? I think that businesses are faced with some of the toughest decisions about supply chain issues. Third, I think the USMCA negotiation is about trade policy in a lot more countries than just U.S., Mexico and Canada, like we talked about, China, China, China. I think that's an important part of this.

And so I think companies need to stay nimble. I always say in immense uncertainty, those that adapt the best create competitive differentiators for themselves. And I think that companies that are well-advised, companies that are out in front, companies that are able to move quickly, are the ones that are going to differentiate themselves in this environment.

So Andrea, look, I want to thank you for joining us, bringing NAM's perspective to the conversation. You've brought some amazing stuff. I love your statistics. I had a bunch of statistics too, but you hit on all the major ones that I was going to hit on. Thanks for sharing some of the insights from the NAM surveys.

Colin, as always, thanks for your insights. You know, obviously, staying on the cutting edge of trade for our Grant Thornton clients is so important. And I love the way you kind of boil it down. Even I can understand it as an international tax person. I will highlight that international tax is relatively very stable compared to what you guys have going on the trade front. So I'll put a plug in, even with some of the upheaval on the international tax front.

So, and as always, I want to thank our listeners for joining the D.C. Dispatch. We will continue to monitor developments around Washington in the trade space and the international tax policy space and what they mean for your businesses, trying to bring you practical insights about how you can be prepared to create those competitive differences.

So until next time, thanks again for listening.