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POLICY BRIEF

Economic Implications for the United States of a North America without NAFTA or USMCA: A Brief Summary of Key Areas

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President Trump has stated that he intends to withdraw the United States from the North American Free Trade Agreement (NAFTA) if Congress does not approve the United States-Mexico-Canada Agreement (USMCA).[1] Evaluating both the legal possibility and the economic effect of this action is difficult. There is profound disagreement in the United States on the extent of executive power. International trade is governed by a complex web of multilateral, regional, and bilateral agreements. Withdrawing from NAFTA without ratifying the USMCA would have potential ripple effects as other agreements will fill the vacuum created by the end of a regional trading arrangement between the United States, Canada, and Mexico.

While acknowledging that NAFTA remains in force if the USMCA is not ratified, this brief presents a hypothetical scenario in which the United States no longer has a regional trading arrangement with Canada and Mexico (that is, President Trump successfully withdraws the nation from NAFTA and Congress does not approve the USMCA). This scenario does not consider economy-wide effects, and it is limited to the following areas: market access for trade in goods and agriculture, autos, intellectual property rights, digital trade and e-commerce, investment disputes, and labor standards.[2]

Key economic implications for the United States in the absence of a North American trade agreement include the following:

1. US exports of goods, agriculture, and services would no longer benefit from preferential treatment in Canada and Mexico, including duty-free treatment and special market access

provisions, and vice versa. Meanwhile, the many other countries that have free trade agreements with Canada and Mexico would have continuing preferential access to those markets, leaving US exporters at a cost disadvantage.

2. There could be freer trade in autos and auto parts, and US consumers would likely benefit from a decrease in auto prices. The restrictive rules of origin that incentivize production in North America would no longer exist, which may result in decreased auto and auto parts production in the United States. Also, Mexico's automakers would not be bound to enact minimum wage requirements.
3. Mexico and Canada would remain bound to the e-commerce chapter of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) instead of the broader and more robust digital trade chapter of the USMCA. The United States would lose an important opportunity to establish a strong legal and trade-liberalizing framework for digital trade in the region.
4. Mexico and Canada's intellectual property rights protections and enforcement levels would remain bound to their CPTPP commitments, which are relatively strong, although they are missing key USMCA provisions on trade secret theft, enforceability measures, plant patentability, and damages from infringement. On the other hand, Canada and Mexico would no longer be required to increase copyright periods or data exclusivity periods for biologic drugs, each of which have questionable benefits.
5. Trade agreements can reduce policy uncertainty by locking in lower tariffs. But new rules can also inject uncertainty and costs into the economy. Even if the USMCA passes, the agreement will face termination in 16 years unless each party explicitly agrees to renew for another 16 years. Further, to the extent the USMCA and the CPTPP deal with common policy issues differently, such as digital trade, e-commerce, and intellectual property rights, there may be increased policy uncertainty, at least until those differences are fully realized and or resolved.

TRADE TREATIES

Some legal experts note that withdrawal from NAFTA may not be possible without congressional approval.[3] Others have argued that the president could single-handedly withdraw the United States from the trade agreement or suspend preferential treatment without the assent of Congress and the courts.[4]

If there is no regional trade agreement between the United States, Canada, and Mexico, trade in goods between the United States and Mexico will be governed by the General Agreement on Tariffs and Trade (GATT) and the World Trade Organization (WTO). US exports would no longer benefit from duty-free treatment in Mexico, and instead they would face most-favored nation (MFN) tariffs. MFN tariffs apply to all WTO members who have not signed a preferential agreement such as NAFTA.

As for trade with Canada, the bilateral trade treaty known as the Canada-United States Free Trade Agreement was superseded by NAFTA and would presumably become effective again.[5] This bilateral agreement eliminated virtually all tariffs in goods and provided increased market access in agriculture, although not to the extent provided by NAFTA.

Further, in January 2017, the United States withdrew from the Trans-Pacific Partnership (TPP), and the remaining 11 members made some revisions to the agreement and renamed it the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).[6] In the absence of a North American trade agreement, Canada and Mexico would remain bound to their CPTPP commitments with regard to other nontariff rules governing intellectual property, digital trade, and e-commerce.

TRADE IN GOODS

Preferential Market Access

Without a North American trade agreement, US exports would be outside of Mexico and Canada's vast network of free trade agreements. Mexico has a web of 10 free trade agreements with 45 countries, including some EU countries and the other 10 countries in the CPTPP.[7] Canada has free trade agreements in place with all G7 countries, South Korea, the European Union, and the other 10 countries in the TPP, among others.[8] Exports from all of these other countries would receive preferential market access (lower tariffs or zero tariffs and the elimination of nontariff barriers), while US exports would be subject to higher tariffs and nontariff barriers.

Agriculture

US agricultural exporters would lose their preferential market access status in Mexico and face higher tariffs and possibly even less regulatory cooperation. As for market access in Canada, even if the US-Canada free trade agreement remains in effect, the preferential market access in that bilateral agreement is not as comprehensive as in NAFTA.[9] Mexico and Canada represent 29 percent of all US agricultural exports, so this loss of preferential market access would not be trivial for US producers.[10]

Mexico's average MFN applied rate is 5.8 percent for goods and 13.5 percent for agriculture. Mexico's bound tariff rate (the highest rate that nation can impose and remain in compliance with WTO commitments) averages around 35 percent for goods and 45 percent for agriculture, although it reaches over 60 percent on a range of agriculture and dairy products. Canada's average MFN applied rate is 2.1 percent for goods and 15.7 percent for agriculture, and its bound rates average 5.2 percent for goods and 16 percent for agriculture. For dairy in particular, Canada's bound rates reach over 200 percent, and for animal products over 25 percent.[11]

Since Mexico and Canada each have free trade agreements with several other countries, US agricultural exporters would be at a severe cost disadvantage:[12]

- US agricultural exporters to Mexico would face tariffs of up to 20 percent on live animals, 75 percent on meats, 15 percent on fish, 45 percent on dairy, 75 percent on vegetables, 20 percent on fruits, 45 percent on coffee and tea, 45 percent on oil seeds, 15 percent on wheat, and 20 percent on beverages and spirits.[13]
- US dairy exporters would no longer have guaranteed market access in Canada. If approved, the USMCA would provide US exporters market access to about 3.6 percent of Canada's dairy market. Meanwhile, other countries that have negotiated free trade agreements with Canada would have special market access.
- If the United States were to face MFN rates in Canada (depending on how the US-Canada free trade agreement would come back into effect), then US agricultural exporters to Canada could face tariffs of up to 8 percent on live animals, 26.5 percent on meats, 6.5 percent on fish, 11 percent on dairy, 76.5 percent on wheat, 16 percent on plants and trees, 10.5 percent on vegetables, 12.5 percent on fruits, 94.5 percent on cereals, 238 percent on prepared meats and fish, and 11 percent on beverages and spirits.[14]

Automobiles

In the absence of any North American trade agreement, there would be no rules of origin for autos, light trucks, and auto parts; and Mexico would not be bound by the USMCA to enact new minimum wage requirements.

Existing NAFTA rules of origin require that 62.5 percent of a vehicle's content come from North America in order to enter the United States duty free. Under the USMCA, the total required North American content of a vehicle would increase to 75 percent; and 70 percent of all steel, aluminum, and glass used in the production would be required to come from North America. While NAFTA has required that 62.5 percent content be from North America, the US auto sector has relied on imports for the rest. This suggests that the minimum content rules have been binding and that without such rules, automakers may source more from outside the region depending on existing tariffs.[15]

The USMCA also requires that 40 percent of an automobile and 45 percent of a light truck must be produced using an average labor wage of $16 per hour. Without the USMCA, Mexico would not be bound to these wage requirements.

Overall, for the past 25 years, the NAFTA rules of origin have driven production location decisions for auto and auto parts makers and global automakers that wish to access the US and North American market. Without these rules and restrictions, the incentives to locate production in the United States would no longer be bound by content rules. Producers may be more willing to produce outside the United States and have their shipments subject to the 2.5 percent duty on automobiles, but that may not be the case with light trucks, where the duty is 25 percent.

To the extent that the rules of origin are more restrictive than the default MFN tariffs and other barriers, the end of the regional trade agreement could be a move toward freer trade in automobiles and auto parts. For US consumers, US auto prices may even decline. The net effects, however, are not obvious and would require further analysis.

INTELLECTUAL PROPERTY RIGHTS, DIGITAL TRADE, AND E-COMMERCE

Intellectual property rights (IPR) issues, digital trade, and e-commerce are generally not covered by NAFTA. If there is no USMCA, then Canada and Mexico largely remain bound to their CPTPP commitments.

IPR

Without a North American trade agreement, then commitments on IPR issues in Mexico and Canada would remain bound to those in the CPTPP, which in many ways are similar to those in the USMCA.[16] There are, however, a few key differences.

When the US withdrew from the TPP, the remaining partners agreed to several changes in the treaty provisions. Many of these changes included suspending provisions for which the United States was the main or only proponent, including patent period extensions for regulatory delays, plant patentability, safe harbors for internet service providers, stronger protections for trade secrets, longer copyright periods, and longer data exclusivity periods for biologic drugs. The USMCA keeps these provisions intact.

The key implications for IPR in the absence of a North American trade agreement for US patent holders include the following:

1. Mexico and Canada would not provide additional time for patent periods even if parties experience delays during the patent application process. For instance, if a US firm were to experience long delays during the patent application process owing to the regulatory approval process, then the patent period would not be extended to make up for those excessive delays. To the extent that regulatory cooperation decelerates, US firms may be more likely to experience regulatory delays in Canada and Mexico owing to the decreased cooperation in the regulatory approval process. In turn, these changes could exacerbate the resulting patent delays and lead to shorter effective patent protection periods.

2. Canada and Mexico would not provide new protections to prevent trade secret theft or allow for civil penalties.
3. Mexico could declare a national public health emergency and suspend IPRs without discussing it first with the United States or Canada.
4. Mexico and Canada could exclude plant-based inventions from patent eligibility. This is because the CPTPP gives parties more flexibility on what can and cannot be patented and what can be excluded from patentability. The USMCA has a longer list of what must be eligible to be patented. For instance, the USMCA explicitly mentions that inventions derived from plants must be eligible to be patented, while those inventions may be excluded from patentability under the CPTPP.

Mexico would have somewhat weaker enforcement of IPRs, the damages assessment from infringement would not be as transparent, and the scope for damages would not be as great. More generally, Mexico would not be required to make the legal changes that would result in a more agile system of patent litigation.

Data Exclusivity for Biologic Drugs

Mexico and Canada would not be required to offer longer data exclusivity periods for biologic drugs. Given the lack of economic evidence to support a longer period,[17] Mexico and Canada may actually benefit in this regard (although it would not necessarily lead to a change in US law). The longer the data exclusivity period, the longer the effective patent protection for biologics and the longer the delay for generic biologics or "biosimilars" that come onto the market. The United States would continue to provide 12 years, Canada would provide 8 years (instead of increasing to 10), and Mexico would provide 5 years for chemical entities but zero for everything else (instead of increasing to 10). Unless the United States changed its laws and reduced its own data exclusivity periods, then this would further widen the gap between the United States and other countries on specialty drug protections.

Duration of Copyright

Mexico and Canada would not be required to increase the copyright term to 70 years (the CPTPP requires 50 years). While copyright terms have consistently increased over time—they have almost never been shortened—there is no consensus among legal or economic scholars on the optimal length. The benefits of longer copyright terms, however, are concentrated within the small group of rights holders, while the costs are diffuse. The shorter copyright period might well be a benefit to consumers and innovation,[18] but it is less clear that longer copyright periods would be as beneficial for either consumers or businesses.

DIGITAL TRADE AND E-COMMERCE

Commitments on digital trade and e-commerce in Mexico and Canada would remain bound to those laid out in the CPTPP in the absence of ratification of the USMCA or a similar trading agreement. The e-commerce chapter of the CPTPP and the digital trade chapter of the USMCA have many similarities, but the latter is more aligned with the bedrock principles of long-established international trade conventions within the GATT and the WTO. Rules on data transfer regulations can largely govern services trade. Without a regional trade agreement, the United States would lose the opportunity to establish a strong template in digital trade for future agreements.

Digital trade includes not only online shopping and software, but also internet-powered professional services emerging in a wide range of areas, such as cybersecurity, medical care and healthcare, and professional services. Any information that moves across borders in a manufacturing value chain could fall under this umbrella. This includes information regarding the management of business operations, computer-aided design, communication channels, online educational services, and financial services.[19]

Without an agreement similar to the USMCA, the various issues that come up in e-commerce and digital commerce will be dealt with in ways that may unnecessarily restrict trade. For instance, the USMCA states that "no party shall prohibit or restrict the cross border transfer of information by electronic means." In comparison, the CPTPP recognizes that each party may have its own regulatory requirements concerning this area and that each party shall allow the cross-border transfer of information by electronic means. Both the USMCA and the CPTPP allow parties to adopt measures consistent with their own public policy objectives, such as privacy. The USMCA, however, footnotes a caveat to that concession so that any measure that treats cross-border transfers differently from domestic transfers must not do so "solely on the basis that they are cross-border in a manner that modifies the conditions of competition to the detriment of service suppliers of another Party." In other words, under the USMCA, if countries treat cross-border transfers differently, then they must not alter the conditions of competition between domestic and foreign suppliers.

E-commerce, online privacy, journalism standards, and free speech are all issues that are likely to be addressed across the region in the coming years. The USMCA establishes the framework for countries to achieve their public interest goals as long as it is done in the least trade-restrictive way. In the digital trade area, that means that if new laws or rules affect cross-border transfers, then they must not alter the conditions of competition between domestic and foreign suppliers. Under the CPTPP, Canada and Mexico are not committed to such principles.

The De Minimis Threshold

Without passage of the USMCA, Mexico and Canada would not be required to raise their de minimis thresholds (DMTs) (that is, the valuation floor for duty-free imports and minimal clearance procedures). Higher DMTs tend to facilitate trade for small and medium-sized firms, particularly those undertaking online e-commerce sales and sending smaller-valued parcels directly to their customers across the border.[20] Without the USMCA or a similar agreement, Canada would continue with its C$20 DMT, and Mexico with its US$50 DMT. In the USMCA, Canada agreed to C$40 for a tax-free threshold and C$150 for duty-free and simple customs forms.

Safe Harbor Status for Internet Service Providers

Safe harbor status for internet service providers (ISPs) limits the liability of ISPs for user-created copyright infringement so that the ISP itself is not at fault for the random comments users post on social media platforms. The United States implemented safe harbor provisions with the 1998 Digital Millennium Copyright Act, but many of its trading partners have not enacted similar legislation.

The US courts have generally maintained safe harbor status for ISPs as long as they do not blatantly ignore red flags that make piracy obvious.[21] Without the USMCA in force, Canada and Mexico would not have obligations to grant ISPs a safe harbor status, and ISPs could be held responsible for the actions of their users. Under the CPTPP, Canada and Mexico are allowed to require service providers to actively monitor their services for infringing activity.

Legal experts have argued that the recent *Viacom Int'l v. Youtube, Inc.*, case shows how safe harbor status for ISPs can coexist with a balanced and effective copyright regime.[22] Meanwhile, international law in this area remains fluid.[23] The USMCA would aim to ensure that Canada and Mexico implement any public policy objectives in the least trade-restrictive manner and in ways that do not adversely alter the conditions of competition.

INVESTMENT DISPUTE SETTLEMENT

In the absence of a North American trade agreement, there would be no investor state dispute settlement (ISDS) mechanism between the United States and Canada. The USMCA would maintain ISDS from NAFTA, but only between the United States and Mexico and only for certain circumstances (oil and gas and some public service sectors).[24] The USMCA would remove NAFTA-era ISDS provisions between the United States and Canada. Withdrawing from NAFTA would effectively remove ISDS provisions in the oil, gas, and public service sectors for US investors in Mexico. ISDS provisions are intended to protect firms that invest abroad against unfair treatment by foreign governments. The value of ISDS provisions is beyond the scope of this brief. Nevertheless, the removal of these provisions is likely to inject greater uncertainty in regional investment decisions.

LABOR STANDARDS

In the absence of a trade agreement with the United States and Canada, Mexico would remain bound to CPTPP rules. The CPTPP's labor provisions include binding commitments by each member to uphold the basic commitments set forth in the International Labor Organization Declaration: (1) freedom of association and collective bargaining, (2) elimination of forced labor, (3) abolition of child labor, and (4) elimination of employment discrimination.[25]

The USMCA goes further than the CPTPP and would require Mexico to pass laws on traditional union representation (currently Mexico's labor unions are controlled by employers) and pass strong labor laws with respect to women and migrant workers (who are often from Central America). The USMCA would also enable the United States to use the same type of dispute system to resolve labor complaints that NAFTA previously allowed only for commercial trade violations. If a labor violation is found to harm US trade, then the United States could bring the complaint before a commission of government labor ministers from each country (but only after exhausting all efforts to mediate the issue and resolve it separately).[26]

While inclusion of labor standards in trade agreements is becoming more common, those in the USMCA go further than any other US trade agreement. It is not necessarily the case that one country's labor union regime is optimal for another country. That said, recent legislative proposals in Mexico indicate that many of the labor reforms set out in the USMCA are already underway in the Mexican legislature.[27]

AN UNCERTAIN ROAD AHEAD

Trade agreements can help reduce the uncertainty of exporters and importers by locking in lower tariffs.[28] But new rules, regulations, and laws can also inject uncertainty and costs into the economy as the private sector, enforcement agencies, and the courts adjust to the new regime.[29]

An assessment of USMCA-related scenarios should consider the effects on policy uncertainty, including the fact that the USMCA itself has a provision to terminate in 16 years unless each party explicitly agrees to renew for another 16 years.[30] Given the commitments Mexico and Canada have with their other trading partners in the key areas noted above, the net effect on policy uncertainty is not clear.

ABOUT THE AUTHOR

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NOTES

1. Andrew Restuccia, Doug Palmer, and Adam Behsudi, "Trump Says He Will Withdraw from NAFTA, Pressuring Congress to Approve New Trade Deal," *Politico*, December 2, 2018. The full text of the United States-Mexico-Canada Agreement (USMCA) can be found at Office of the US Trade Representative, "Agreement between the United States of America, the United Mexican States, and Canada Text," November 30, 2018, https://ustr.gov/trade-agreements/free-trade-agreements/united-states-mexico-canada-agreement/agreement-between.

2. This brief is not a comprehensive or economy-wide analysis of USMCA, but rather a consideration of key subject areas regarding the potential economic implications for the United States of a US withdrawal from NAFTA and the USMCA not passing Congress (i.e., the absence of a North American trade agreement). For an economy-wide analysis of USMCA, see Mary E. Burfisher, Frederic Lambert, and Troy Matheson, "NAFTA to USMCA: What Is Gained?" (IMF Working Paper WP/19/73, International Monetary Fund, Washington, DC, March 2019); and see International Trade Commission, *U.S.-Mexico-Canada Trade Agreement: Likely Impact on the U.S. Economy and on Specific Industry Sectors*, April 2019.

3. Joel Trachtman, "Trump Can't Withdraw from NAFTA without a 'Yes' from Congress," *The Hill*, August 16, 2017.

4. Congressional Research Service, *The President's Authority to Withdraw the United States from the North American Trade Agreement (NAFTA) without Further Congressional Action*, March 5, 2019; Gary Clyde Hufbauer, "Can Trump Terminate NAFTA?," *Trade & Investment Policy Watch* (Peterson Institute for International Economics), October 10, 2017.

5. Global Affairs Canada, *The Canada-United States Free Trade Agreement*, January 1, 1989. The continued relevance or possible obsolescence of this agreement in many key areas could be a source of further uncertainty. The discussion of hypotheticals based on a reversion to this agreement is beyond the scope of this brief.

6. More than 20 items in the TPP were suspended under the CPTPP. The New Zealand Ministry of Foreign Affairs and Trade has summarized them here: New Zealand Ministry of Foreign Affairs and Trade, "CPTPP vs TPP," accessed March 29, 2019, https://www.mfat.govt.nz/en/trade/free-trade-agreements/free-trade-agreements-in-force/cptpp/understanding-cptpp/tpp-and-cptpp-the-differences-explained.

7. For a full list, see ProMéxico, "Trade Agreements," accessed March 29, 2019, http://www.promexico.gob.mx/en/mx/tratados-comerciales.

8. For a full list, see Global Affairs Canada, "Trade and Investment Agreements," accessed March 29, 2019, https://www.international.gc.ca/trade-commerce/trade-agreements-accords-commerciaux/agr-acc/index.aspx?lang=eng.

9. Economists at Purdue University find large losses for US agricultural exporters if the USMCA is not approved and NAFTA is abandoned. See Maksym Chepeliev, Wallace E. Tyner, and Dominique van der Mensbrugghe, *Agricultural Export Impacts of USMCA vs NAFTA Plus Other Tariff Changes* (West Lafayette, IN: Purdue University Agricultural Economics, 2019).

10. Steven Zahniser et al., "Opportunities for Making U.S.-Mexico Agricultural Trade More Agile" (Economic Information Bulletin No. 160, US Department of Agriculture, Washington, DC, August 2016).

11. World Trade Organization, "Mexico: Tariff and Imports: Summary and Duty Ranges," accessed March 29, 2019, https://www.wto.org/english/res_e/statis_e/daily_update_e/tariff_profiles/MX_E.pdf; and World Trade Organization, "Canada: Tariff and Imports: Summary and Duty Ranges," accessed March 29, 2019, https://www.wto.org/english/res_e/statis_e/daily_update_e/tariff_profiles/CA_E.pdf.

12. Mexico has a network of 10 free trade agreements with 45 countries, including some EU countries and the other 10 countries in the TPP. For a full list, see ProMéxico, "Trade Agreements." Canada has free trade agreements in place with all G7 countries, South Korea, the European Union, the other 10 countries in the TPP, and others. For a full list, see Global Affairs Canada, "Trade and Investment Agreements."

13. For a full list, see Congressional Research Service, *Potential Effects of a U.S. NAFTA Withdrawal: Agricultural Markets*, November 16, 2017, appendix A.

14. Congressional Research Service, *Potential Effects of a U.S. NAFTA Withdrawal: Agricultural Markets*, appendix A.

15. The share of imports contained in US auto exports is over 35 percent. See Organisation for Economic Co-operation and Development and World Trade Organization, *Trade in Value Added: United States*, 2015.

16. For a helpful side-by-side comparison of the relevant trade agreements, see Stewart and Stewart, "The United States-Mexico-Canada Agreement (USMCA) of 2018, the North American Free Trade Agreement (NAFTA) Text, and the Trans-Pacific Partnership (TPP) Text Side-by-Side," November 2018, http://www.stewartlaw.com/PracticeAreas/USMCASidebySide.

17. Federal Trade Commission, *Emerging Health Care Issues: Follow-On Biologic Drug Competition*, June 2009.

18. Tyler T. Ochoa, "Limits on Duration of Copyright: Theories and Practice" (Faculty Publications, Santa Clara University School of Law, Santa Clara, CA, January 1, 2010); see also Keith E. Maskus, *Intellectual Property Rights in the Global Economy* (Washington, DC: Institute for International Economics, 2000).

19. For an explanation of how digital trade differs from traditional goods and services trade, see Congressional Research Service, *US Trade Policy Primer*, January 29, 2019.

20. Christine A. McDaniel, "A Trivial Legal Issue with Nontrivial Economic Consequences: Why Raising the De Minimis Threshold Is Important for International Trade" (Mercatus on Policy, Mercatus Center at George Mason University, Arlington, VA, February 2018); Olim Latipov, Christine A. McDaniel, and Simon Schropp, "The De Minimis Threshold in International Trade: The Costs of Being Too Low," *World Economy* 41, no. 1, (2018): 337–56.

21. Matthew Sag, "Internet Safe Harbors and the Transformation of Copyright Law," *Notre Dame Law Review* 93, no. 2 (2018): 499–564.

22. Jennifer L. Hanley, "ISP Liability and Safe Harbor Provision: Implications of Evolving International Law for the Approach Set Out in *Viacom v. YouTube*," *Journal of International Business and Law* 11, no. 1 (2012): 183–204.

23. European Parliament, "European Parliament Approves New Copyright Rules for the Internet," press release no. 20190321IPR32110, March 26, 2019, http://www.europarl.europa.eu/news/en/press-room/20190321IPR32110/european-parliament-approves-new-copyright-rules-for-the-internet.

24. Congressional Research Service, *Proposed U.S.-Mexico-Canada (USMCA) Trade Agreement*, February 22, 2019.

25. Christopher F. Corr et al., *The CPTPP Enters Into Force: What Does It Mean for Global Trade?* (Washington, DC: White and Case, 2019).

26. Congressional Research Service, *NAFTA Renegotiation and the Proposed United States-Mexico-Canada Trade Agreement (USMCA)*, February 26, 2019.

27. Stratfor Worldview, "Mexico: Legislative Committee Approves Draft Labor Reform," April 11, 2019, https://worldview.stratfor.com/situation-report/mexico-legislative-committee-approves-draft-labor-reform.

28. See Article 34.7 of the USMCA. More generally, see Robert Krol, "Does Uncertainty over Economic Policy Harm Trade, Foreign Investment, and Prosperity?" (Mercatus Research, Mercatus Center at George Mason University, Arlington, VA, 2018); Kyle Handley and Nuno Limão, "Trade and Investment under Policy Uncertainty: Theory and Firm Evidence," *American Economic Journal: Economic Policy* 7, no. 4 (2015): 189–222; Kyle Handley and Nuno Limão, "Policy Uncertainty, Trade and Welfare: Theory and Evidence for China and the United States," *American Economic Review* 107, no. 9 (2017): 2731–83; Dan Ciuriak, Ali Dadkhah, and Jingliang Xiao, *Better In than Out? Canada and the Trans-Pacific Partnership* (Toronto: C. D. Howe Institute, 2016).

29. Francesco Parisi, Vincy Fon, and Nita Ghei, "The Value of Waiting in Lawmaking," *European Journal of Law and Economics* 18, no. 2 (2004): 131–48.

30. The International Trade Commission included a reduction of trade policy uncertainty in its economic modeling assessment with respect to data transfer, cross-border services, and investment commitments. See International Trade Commission, *U.S.-Mexico-Canada Trade Agreement*.