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Via USTR Comments Portal

Mr. Daniel Watson
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Office of the U.S. Trade Representative
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Washington, D.C. 20006

cc. Mr. Randall Oliver, Director for Canada, Office of the Western Hemisphere
Mr. Braeden Young, Director for Mexico, Office of the Western Hemisphere

Re: Comments of the Semiconductor Industry Association on the United States-Mexico-Canada Agreement (USMCA) Joint Review (USTR-2025-0004)

The Semiconductor Industry Association (SIA) welcomes the opportunity to respond to the Office of the U.S. Trade Representative’s (USTR) *Request for Public Comments Relating to the Operation of the Agreement Between the United States of America, the United Mexican States, and Canada* (“USMCA” or “Agreement”), USTR-2025-0004, 90 Fed. Reg. 44869 (September 17, 2025) (the “Notice”).

As we discuss further below, the USMCA has supported growth, innovation, and jobs in the U.S. semiconductor industry, and we support continuation of the Agreement past 2026. We also provide specific comments regarding USMCA provisions of critical importance for the semiconductor industry, including rules of origin, economic security, encryption, government procurement, trade secret protection, and digital trade.

1. Background

SIA has been the voice of the U.S. semiconductor industry for nearly half a century. Our member companies represent more than 99 percent of the U.S. semiconductor industry by revenue as well as major non-U.S. chip firms, and are engaged in the full range of research, design, manufacture, and back-end assembly, test, and packaging of semiconductors. Semiconductors are historically a top U.S. export sector, running a healthy trade surplus for nearly three decades. SIA’s members design and produce all major advanced and mature-node semiconductor types, including logic, memory, analog, microprocessors, and optoelectronics. More information about SIA and the semiconductor industry is available at www.semiconductors.org.

2. Benefits of USMCA

The USMCA is vital to the success of the U.S. semiconductor industry and America’s global technology leadership. The Agreement’s rules underpin free and fair access to global markets for U.S. semiconductor companies and ensure that more products made in America – including semiconductors – can be shipped to customers around the world. Since coming into force, the

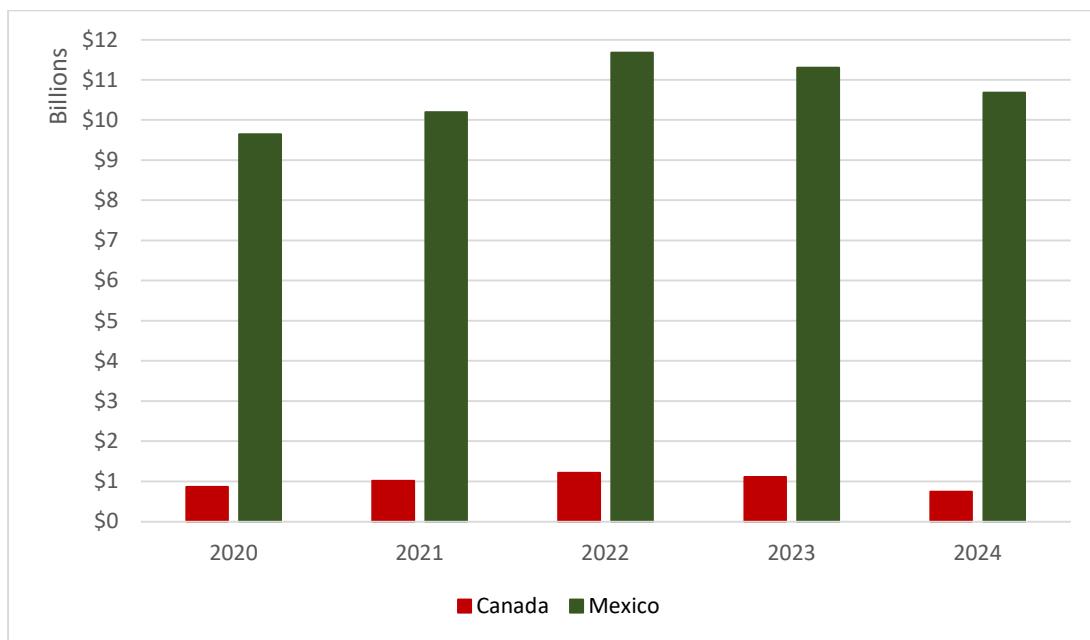
Agreement has removed market access barriers, protected valuable intellectual property, strengthened the digital economy, and supported investments and jobs in the semiconductor supply chain across the United States, Canada, and Mexico.

Canada and Mexico are close U.S. trading partners in semiconductors. Each plays a distinct but important role in North America's semiconductor supply chain. The USMCA supports a competitive and resilient North American semiconductor supply chain that is tightly linked throughout the production process, with subcomponents and semiconductors crossing between the U.S., Canada, and Mexico before being integrated into a wide range of downstream industries such as automotive, industrial manufacturing, telecommunications, and consumer electronics.

Several SIA member companies have design, R&D, and advanced packaging operations in Canada and back-end facilities in Mexico. In addition to significant investments and operations in the United States, SIA member companies have made investments in both Canada and Mexico related to hardware and software development, customer support, and sales to enable exports of U.S. semiconductors to those markets and throughout the Americas.

The U.S. has strong semiconductor trade surpluses with both Canada and Mexico, which measured \$745 million and \$10.7 billion, respectively, in 2024. Figure 1 illustrates the U.S. trade surplus in semiconductor products with Canada and Mexico, respectively, during 2020-2024.

Figure 1: U.S. Semiconductor Trade Balance with Canada and Mexico, 2020-2024



Source: U.S. International Trade Commission, "DataWeb," Accessed on October 13, 2025.

Note: Semiconductors include the following HS-6 codes: 8541.10, 8541.21, 8541.29, 8541.30, 8541.50, 8541.51, 8541.59, 8541.60, 8541.90, 8542.10, 8542.11, 8542.13, 8542.14, 8542.19, 8542.20, 8542.21, 8542.29, 8542.30, 8542.31, 8542.32, 8542.33, 8542.39, 8542.40, 8542.50, 8542.60, 8542.70, 8542.80, 8542.90.

In addition to driving critical American manufacturing sectors, the USMCA offers a valuable springboard to advance U.S. leadership in emerging technologies, such as artificial intelligence (AI), by strengthening semiconductor supply chains and promoting open digital trade. SIA and its member companies encourage the Agreement's parties to pursue greater collaboration in areas such as workforce development, R&D, and regulatory streamlining to enable the export of U.S. AI technologies, including to Canada and Mexico. Coordination across these policies will strengthen North American supply chains and attract investment to the continent.

3. USMCA Provisions of Interest to the Semiconductor Industry

We appreciate the opportunity to provide comments on specific USMCA provisions of interest to the semiconductor industry below.

3.A: Rules of Origin

SIA urges negotiators to ensure the USMCA's rules of origin strengthen U.S. semiconductor competitiveness, encourage greater investment in North American supply chains, and account for differences in existing and planned supply chain operations to produce different types of semiconductors. Tailored rules of origin can play an important role in encouraging the integration of U.S. semiconductors into various finished goods manufactured in North America.

We strongly recommend U.S. negotiators hold meaningful consultations with strategic sectors, including the semiconductor industry, should USTR consider any potential changes to rules of origin and related calculations during the review process. With any potential changes, negotiating parties should ensure a realistic timeline for implementation and compliance by North American companies. SIA also supports the Trump Administration's goal of disincentivizing the integration of articles from countries of concern into USMCA-compliant goods. As the Trump Administration reshapes trade policy to reinvigorate manufacturing and secure supply chains, we encourage the Administration to align with the governments of Canada and Mexico on economic security measures to address content from countries of concern.

3.B: Economic Security

The USMCA can serve as a platform to strengthen alignment and collaboration on economic security matters while maintaining and strengthening the competitiveness of U.S. technology trade between the parties and globally, including coordinating efforts to prevent non-participants from using the Agreement to circumvent tariffs.

We encourage the Administration to work with Canada and Mexico to align enforcement and compliance rules that strengthen regional economic security. For example, continued customs cooperation can help combat diversion, prevent trade in stolen IP, and facilitate goods shipments. Improving information-sharing mechanisms with counterparts in Canada and Mexico can help inform economic security risk assessment across the region, align on common tools to address third countries' non-market policies and practices, and cooperate on the effective use of investment security measures, export controls, and ICT vendor security.

Harmonization is needed across North America to avoid costly and diverging economic security regulations and practices. We applaud the Canadian government's efforts to strengthen its foreign investment screening mechanism in recent years, with amendments to advance risk assessments and seek greater transparency in investor origins. We hope the U.S. government can continue to make progress in working with the Mexican government on similar foreign investment screening measures that align with practices of the Committee on Foreign Investment in the United States (CFIUS). We also hope the three governments can establish an effective coordination mechanism on economic security issues of concern, such as export controls and trusted ICT cooperation.

3.C: Encryption

The USMCA provision on commercial cryptographic goods is an extremely important measure in establishing global trade norms related to encryption, mitigating against the adoption of restrictive policies in third countries. USMCA parties, including the U.S., do not currently restrict or regulate commercial cryptographic goods, in recognition that such restrictions cause more harm than benefit given their widespread use. However, other major U.S. trading partners are rapidly adopting broad and discriminatory regulation of commercial encryption to support indigenous innovation efforts, including measures that directly or indirectly favor specific technologies, block companies from using the strongest available security technologies in the marketplace, or force disclosure of sensitive information. The USMCA should maintain this key provision and all future U.S. trade agreements should incorporate similar provisions to ensure that rules governing the use and trade of commercial encryption products do not unfairly impede the trade of semiconductors and the ICT products that depend on them.

3.D: Government Procurement

As part of the USMCA review, the parties should consider new language to protect companies from unnecessary or discriminatory procedures, official or unofficial, that could impede fair access to government and State-Owned Enterprise (SOE) procurements. USMCA provisions related to procurement by government entities and SOEs are particularly important for U.S. companies operating in Mexico, since Mexico is not a signatory of the WTO Government Procurement Agreement (GPA) and Mexico has a large number of SOEs. For example, the Mexican Digital Ministry must now review and approve ICT procurements by SOEs, creating an added layer of approval that could be used to discriminate against U.S. companies. USMCA should also clarify that government entities shall refrain from reviewing and conducting a "secondary approval," or overriding a procurement decision made by an SOE. Moreover, an updated Agreement should enshrine non-discriminatory protections for U.S. companies bidding on federal and provincial contracts in Canada.

We encourage the Trump Administration to align with Canada and Mexico on common rules that could help drive demand for U.S. and North American chips. SIA member companies are making transformational investments in semiconductor manufacturing capacity in North America, but the industry needs sustained demand signals to ensure these investments are commercially viable. Government procurement represents hundreds of billions of dollars in annual technology purchases and aligning on rules with likeminded partners such as Canada and Mexico offers an opportunity to ensure this new capacity is fully utilized. The USMCA review process could be

leveraged to discuss cooperation on government procurement rules that would expand advanced manufacturing jobs and strengthen value chains in North America.

3.E: Trade Secret Protection

Trade secrets are core business assets for semiconductor companies, which include manufacturing know-how, chemical formulations, chip designs, and other proprietary information. SIA and our member companies greatly value the strong trade secret protections included in the USMCA, which should be maintained. Key provisions that benefit the semiconductor industry include:

- The application of robust criminal prosecution and penalties for trade secret theft; including penalties for government officials who wrongfully disclose trade secrets;
- Strong confidentiality safeguards for trade secrets during litigation proceedings;
- Enhanced remedies for trade secret theft, including compensatory damages;
- Ban on excessive or discriminatory licensing conditions that dilute the value of trade secrets; and
- Ban on the forced disclosure of source code, or an algorithm embedded in that source code, as a condition of market access.

3.F: Digital Trade

SIA applauds the strong digital trade outcomes in the USMCA to counter measures adopted by foreign governments, such as rules on “forced localization” to advantage domestic companies and/or force foreign investors to use domestic technology, transfer their own technology, localize data storage and processing, impose duties on electronic transmissions, or build expensive infrastructure as a condition of market access, often adding unnecessary costs and burdens on technology suppliers and customers alike.

SIA urges USTR to preserve the integrity of Chapter 19 (Digital Trade) to support North American innovation and competitiveness. The semiconductor supply chain relies on open and secure data flows across international borders, as virtually every step in the value chain involves the electronic transmission of data. Designing an individual chip typically involves collaboration between engineering teams in the United States and multiple countries, such that design data can cross borders hundreds of times in the integrated circuit development phase. Huge amounts of data are also generated and collected at every step in the manufacturing process, with data coming from wafer fab, probe/testing, assembly, and final testing.

The United States should also ensure the USMCA’s digital trade disciplines keep pace with technological advancements, including in AI. USTR should consider building on the Digital Trade chapter by adopting new provisions that promote the Trump Administration’s pro-innovation AI agenda, including AI-specific rules on non-discrimination, cross-border data flows, interoperability, cybersecurity, and risk-based governance.

4. Exemption from Tariff Actions

The semiconductor industry is investing across America, strengthening our economic and national security, and delivering on the Administration's goal to revitalize American semiconductor manufacturing. To sustain these investments, America must be a cost-competitive location to develop and produce chips.

As the U.S. government considers potential tariff actions, we hope the USMCA review process ensures the U.S. semiconductor industry retains its pole position in the race to be the most globally competitive. Given the far-reaching consequences of imposing tariffs on semiconductors, semiconductor manufacturing equipment, and related parts and components, maintaining a straightforward tariff regime for semiconductors and related technologies, including appropriate treatment of products that are compliant under USMCA, is crucially important.

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SIA appreciates the opportunity to provide these comments and looks forward to continued engagement with USTR and other U.S. government agencies. If you have any additional questions or would like to discuss these comments further, please contact Carrie Esko at cesko@semiconductors.org and Miles Harrison at mharrison@semiconductors.org.

Uploaded to <https://comments.ustr.gov/>. USTR-2025-0004.