What would happen if customs professionals disappeared tomorrow?

(Brokers, entry writers, HTS analysts, dispatchers.)

SMOOTH OPERATIONS

- $3.1 M USD in cross-border trade every minute keeps moving
- Uninterrupted border flows and reliable ETAs
- Shared prosperity for Laredo & the region

TOTAL PARALYSIS

- Thousands of local jobs at risk (brokerage, carriers, warehouses)
- Broken supply chains and factory line stoppages
- Massive economic losses across North America

The real question isn't whether we'd survive without them...

It's whether we're ready for the next era of cross-border trade.

More digital, more automated, and more demanding of your skills.

Reimagining North American Economic Integration

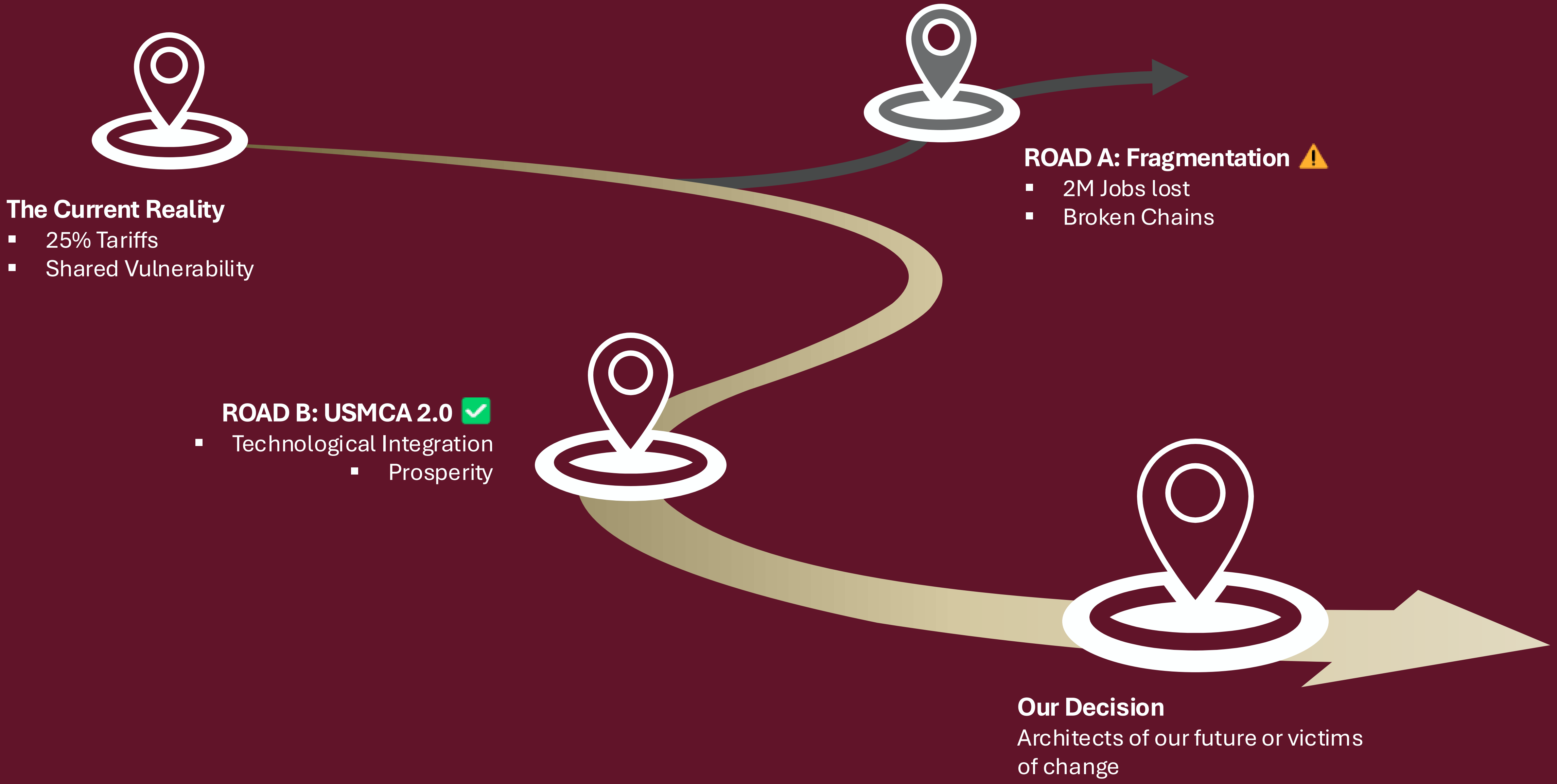
Daniel Covarrubias, Ph.D.

October 13, 2025

San Antonio Startup Week – Binational Day

San Antonio, Tx.

IN THE NEXT 40 MINUTES, WE WILL CHOOSE OUR DESTINATION



USMCA in Numbers

The economy built over 30 years

30%
Global GDP

$1.6 T
Total Trade

501
Millions of Consumers

$3.1 M
Per minute exchange

The North American Paradox: Why Separation Fails

Three decades of integration generated more than 17 million jobs and $1.6 trillion in trade. Today's compartmentalized policies threaten everything.

01 The Problem

- Security vs. prosperity mindset
- Reactive crisis management
- Annual cost of uncertainty: $45-75 billion

02 The Opportunity

- Integrated framework
- Security Facilitates Prosperity
- Prosperity Strengthens Security

03 The Evidence

- 501 million consumers
- 30% of global GDP
- Complementary strengths

04 The Way

- Inflection of the revision of the USMCA
- Three-part framework
- Continental vision

Security is America's new subsidy. Every dollar held on the continent through secure trade reduces global risk and fosters regional prosperity.

North America's Global Advantage

Comparative economic strength of the main trading blocs

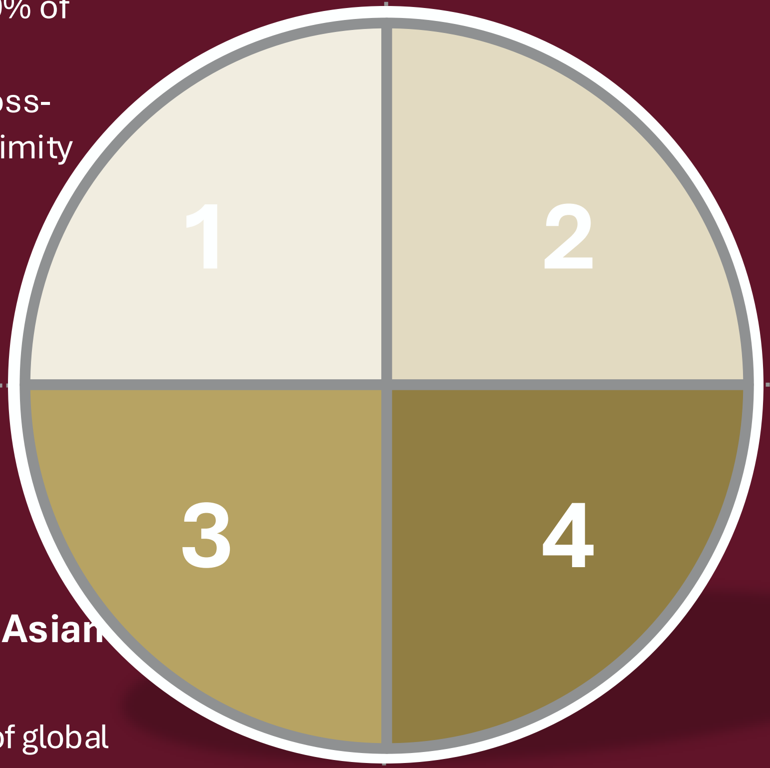
POPULATION SIZE

USMCA

- 501 million consumers, representing 30% of global GDP.
- Highly integrated supply chains with cross-border strategic specialization and proximity advantages.

EUROPEAN UNION

- 450 million consumers, representing 13.4% of global GDP.
- A highly regulated single market with uniform standards and a common currency for most members.



SUPPLY CHAIN EFFICIENCY

ECONOMIC INTEGRATION

RCEP - Regional Comprehensive Economic Partnership (incl. China)

15 countries, 2.3 billion consumers with substantial economic potential. ~30% of global GDP

A large market with fragmented supply chains and varying levels of economic development.

ASEAN – Association of Southeast Asian Nations

693 million consumers, representing 7.2% of global GDP.

Fast-growing, manufacturing-focused economies with emerging integration policies.

GDP CONTRIBUTION

Beyond Income: The Cost of Uncertainty

How Tariff Threats Generate Economic Impacts Before Implementation

ANNOUNCEMENT
Las amenazas arancelarias generan reacciones inmediatas en el mercado semanas antes de cualquier implementación

SUPPLY CHAIN DISRUPTION
Companies are rushing to adjust supply networks and inventory strategies

PLANNING PARALYSIS
Business investments lag while companies await final policy decisions

REACCIÓN DEL MERCADO
Stock market volatility, currency fluctuations, and risk premiums increase

IMPACT ON EMPLOYMENT
Hiring freeze and delayed expansions as companies absorb costs

ECONOMIC WASTE
Unlike tariffs (which generate revenue), uncertainty costs benefit no one

Tariff threats are a hidden tax on growth. The costs of uncertainty destroy value without generating revenue, forcing companies into a permanent crisis instead of investing strategically.

Quantifying the economic impact of uncertainty

Federal Reserve Policy Uncertainty Index

CURRENT READINGS

- Current index: 840 points (15 July 2025)
- 397% increase over historical average
- More than double the average observed during the initial tariff period of 2018

HISTORICAL CONTEXT

- Previous high: 1026 points (January 2024)
- 2025 high: 975 points (5 April 2025)
- Q2 2025 average: 486.55 (period of greatest uncertainty)
- 2018 baseline: approximately 90 points

ECONOMIC IMPACT

- Each increase of 100 points = a reduction in GDP from 0.5% to 0.7%.
- The potential impact of the current level: a reduction in GDP growth from 3.7% to 5.2%.
- This translates to approximately $925 billion to $1.3 trillion in economic output.

SECTOR-SPECIFIC EFFECTS

- Automotive: 1-2% annual drop in private investment; potential loss up to 38% of FDI flows
- Employment: 0.02-0.12 pp reduction in monthly manufacturing employment growth
- Inventories: Significant precautionary buildup above normal levels
- Manufacturing: Contraction in new orders; generalized "wait and see" attitude

When companies spend more time preparing for policy changes than looking for opportunities, uncertainty becomes our most expensive import.

Source: Federal Reserve Economic Policy Uncertainty Index; Texas A&M International University Research

From Free Trade to the New Tariff Reality

Despite the free trade spirit of the USMCA, the implementation of new tariffs in 2025 has created a complex trade landscape. Understanding this new reality is essential to developing effective integration strategies.

Current Tariff Status - July 2025

Result: The most expensive international trade in 30 years

Effective Apr 5, 2025
New Effective Aug 1, 2025

Effective Apr 5, 2025

25% Autos & Auto Parts (3/5 Apr-May)

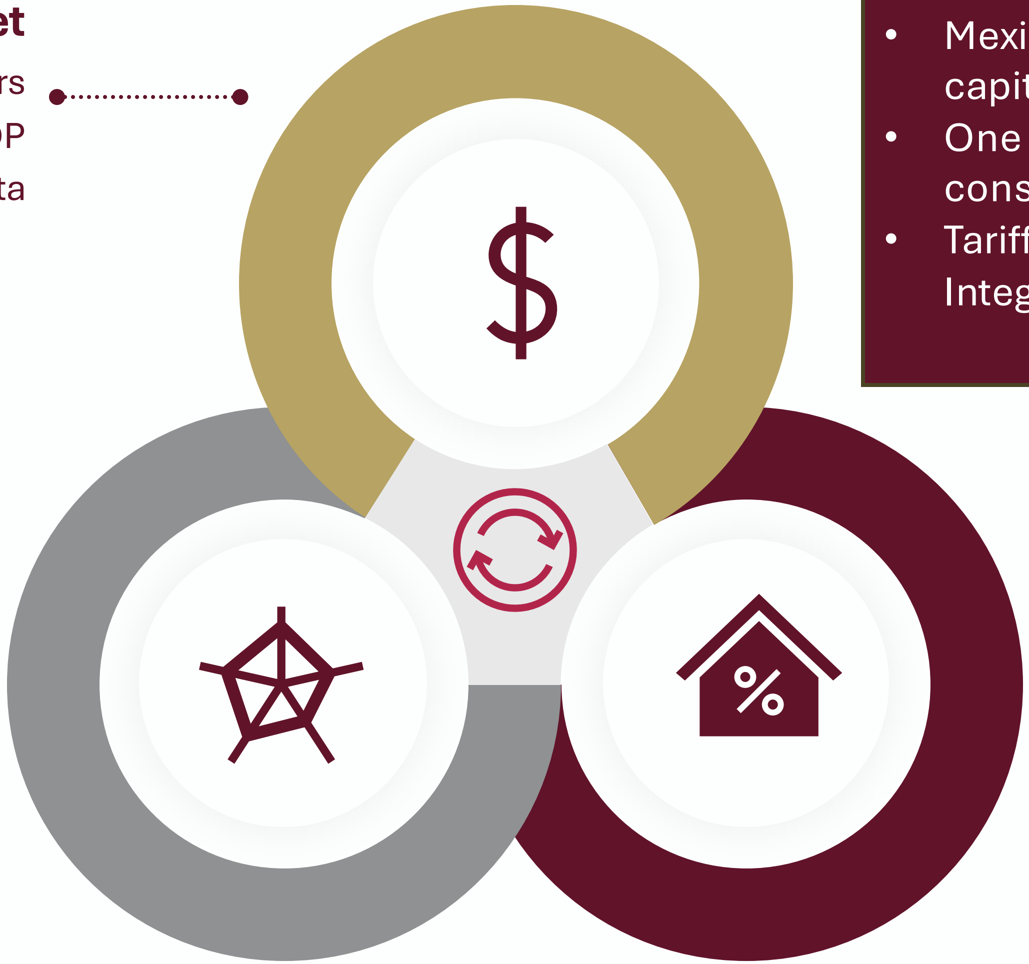
exempt from IEEPA / 232

Fuente: CBP Fact Sheet 5008-0425

Beyond Reciprocity: The Reality of Market Size

Market size, not tariff differentials, determines trade balances

- **United States Market**
  - 325 million consumers
  - $29 trillion GDP
  - $86,601 GDP per capita



- Mexico would need to triple its GDP per capita to balance trade
- One U.S. consumer = 6 Mexican consumers in purchasing power
- Tariffs Won't Change the Math: We Need Integration, Not Isolation

- **Mexico Market**
  - 130 million consumers (40% of the U.S.) USA)
  - $1.8 trillion economy (7% of U.S.)
  - $13,972 GDP per capita
  - Limited absorption capacity

Canada Market

40 million consumers (12% of the U.S.)

$2.2 trillion economy (<10% of U.S.)

$53,834 GDP per capita

Small consumer base

IMF research: Macroeconomic factors explain 70-90% of trade imbalances

Persistent trade barriers that undermine North American integration

Based on the USTR's 2025 National Trade Estimate: Barriers Affecting U.S. Trade Interests.

Regulatory complexity

- Misaligned product standards, customs procedures, and certifications
- Onerous labelling, testing and verification of origin, especially for SMEs

Barriers to Digital Trade

- Data localization laws and restrictions on digital services
- Lack of interoperability between customs technology platforms ("digital wall")

Investment Gap and Industrial Policy

- Shareholder limits, forced alliances and state-owned enterprises (SOEs) that distort competition
- Local content mandates that inhibit genuine cross-border industrial expansion

Talent and Innovation Gaps

- Lack of mutual recognition of credentials and limited labour mobility
- Weak IP protection, restricting joint R+D and technology transfer

Shared vulnerability

The most productive regions of North America are inextricably linked. Disruption in one country has immediate cascading effects on others. They are not simply isolated jobs, but entire economic ecosystems.

1

Here is the Magnitude...

More than 4.1 million jobs in Mexico and 4.3 million in the U.S. are directly linked to North American trade, with the manufacturing sector representing the greatest vulnerability.

2

And here are the most vulnerable...

States that show high exposure: in Mexico, Jalisco (442,000 jobs) and the State of Mexico (433,000); in the U.S., Texas (805,000) and Michigan (672,000).

3

But it's not just the border...

Integration goes beyond border states, significantly affecting inland regions with specialized supply chains in both agriculture and manufacturing.

4

Under a realistic scenario

(25% reduction in trade), approximately 1 million Mexican jobs and 1.08 million U.S. jobs could be affected.

5

Agricultural sectors show extremely high commercial dependence: Minnesota (87.8%), Illinois (81.5%) and Oklahoma (93.6%), showing vulnerability in rural areas.

6

The economic interdependence developed over three decades has created a continental market with $1.8 trillion in annual intraregional trade, too complex to be dismantled without substantial consequences.

The 10 most vulnerable states: a single economy

Jobs at risk due to business disruptions

3 Mexican border states + Texas = 1.6 million jobs exposed

From Analysis to Action

The analyses show more than 2 million jobs potentially at risk in a moderate disruption scenario.
What strategies can protect and strengthen North American integration before the 2026 review?

USMCA 2.0: A Trilateral Analysis Framework for Future Integration

Enhanced Security Cooperation

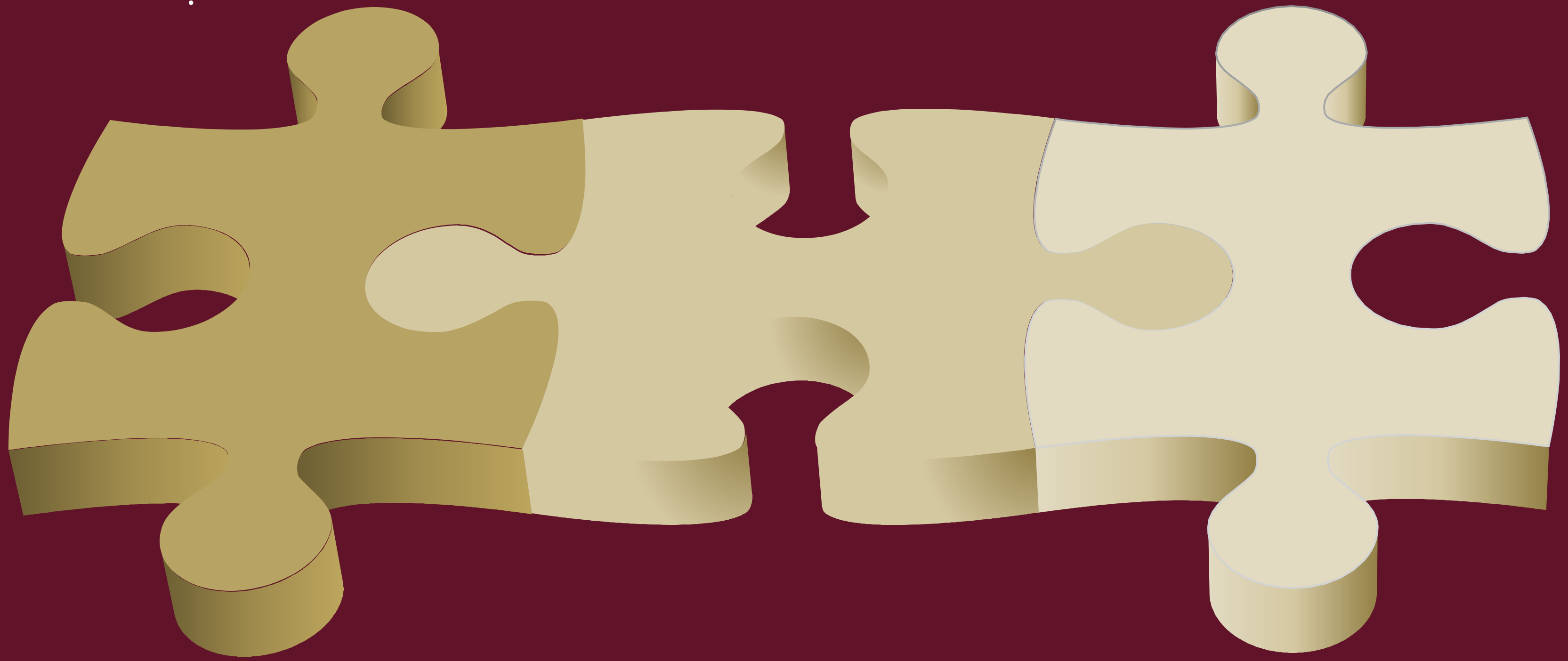
Addressing the Fentanyl Crisis, Gun Trafficking, Border Security

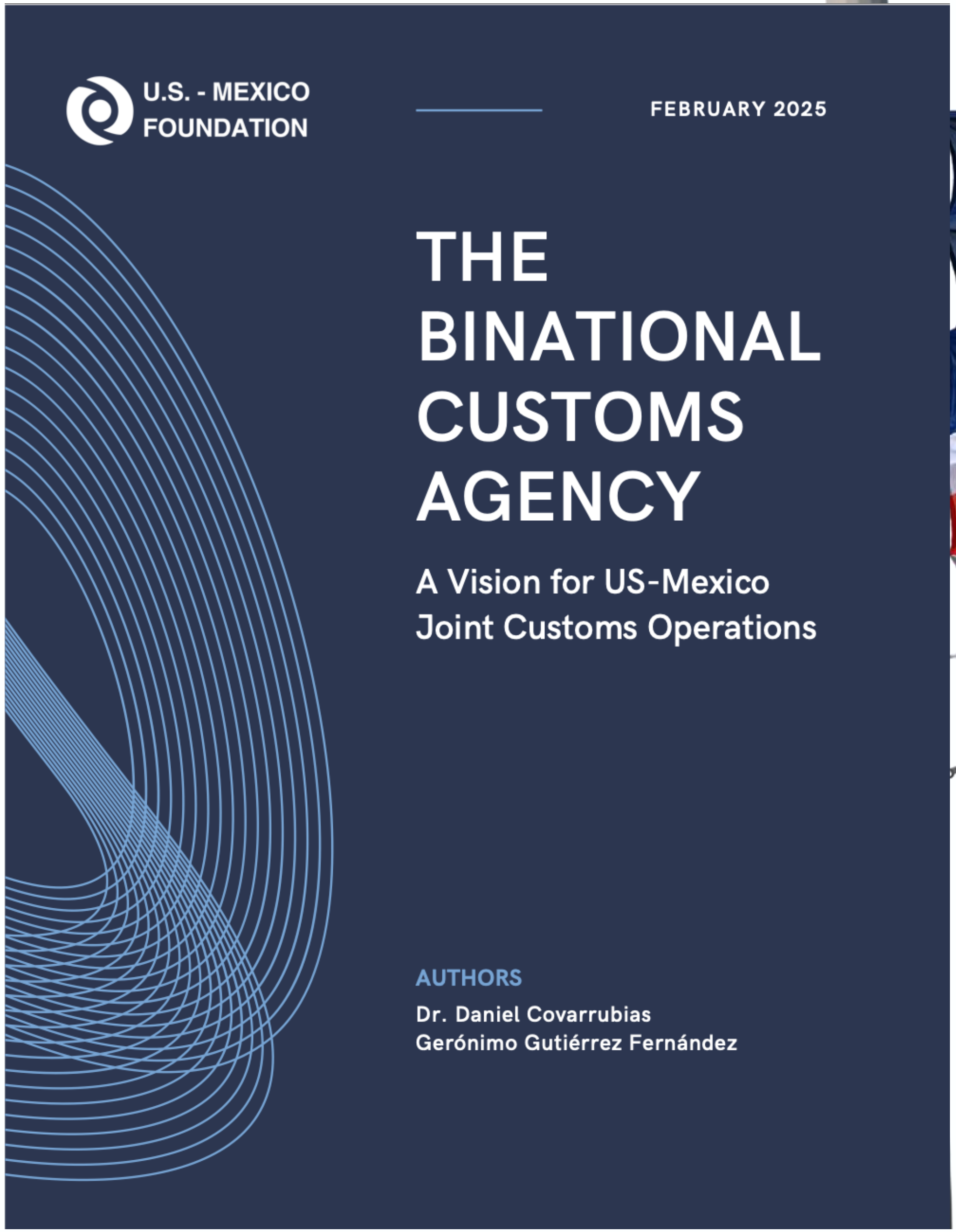
Trilateral Industrial Policy

Coordinating strategic sectors across North America

Technological Progression

Integrating AI, blockchain, IoT for secure and efficient cross-border trade





U.S. - MEXICO
FOUNDATION

FEBRUARY 2025

THE BINATIONAL CUSTOMS AGENCY

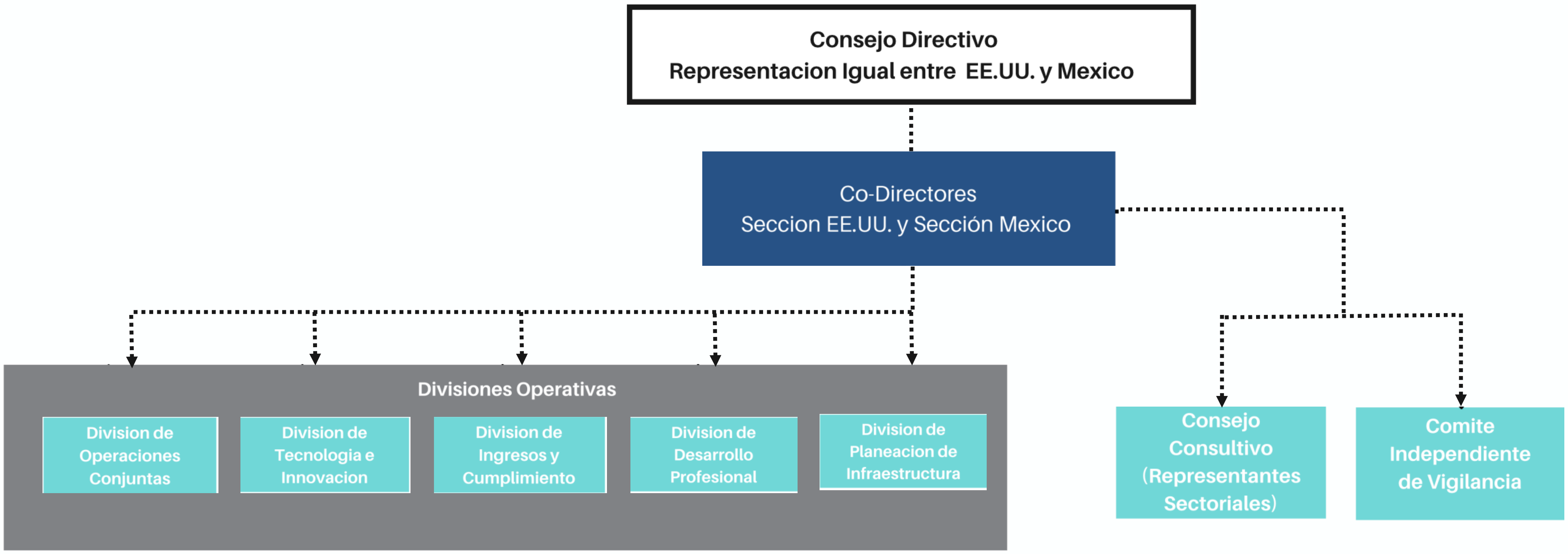
A Vision for US-Mexico Joint Customs Operations

AUTHORS

Dr. Daniel Covarrubias
Gerónimo Gutiérrez Fernández

1. Unified Approach to U.S.-Mexico Customs Operations
2. Proven Model: Building on CILA and NADB Success
3. Window of opportunity: USMCA 2026 Review
4. Digital Transformation and Cybersecurity: Implementation of shared digital platforms with advanced communication protocols to eliminate the "Digital Wall" between nations, prevent system failures and create resilient technological infrastructure

How would it work?



- **Transparency and accountability**
- **Independent audits**
- **Corruption protection**

From Fluid Trade to Industrial Integration

An efficient border facilitates trade. A coordinated industrial strategy maximizes its value.

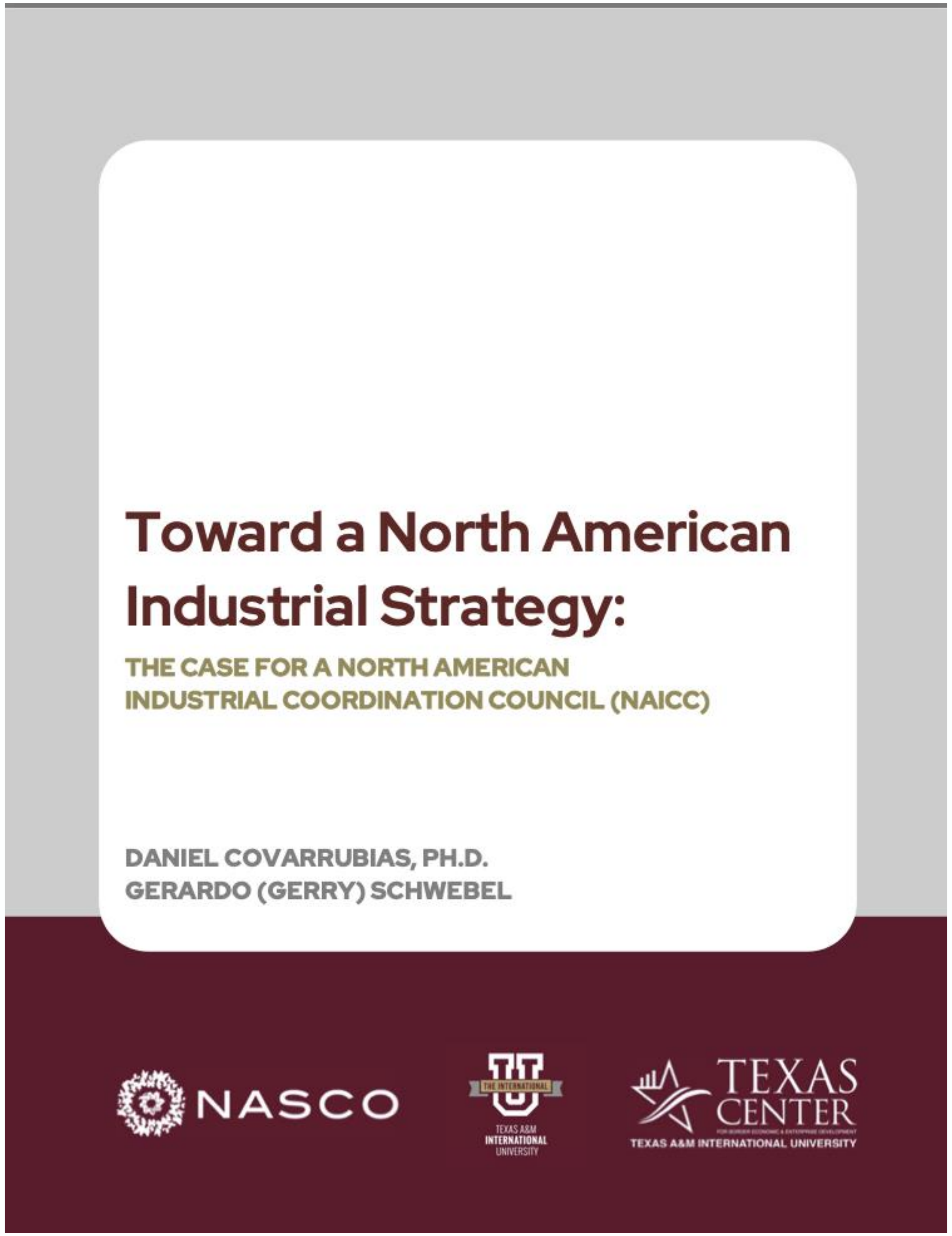
1 **De competir por empleos a crear empleos juntos**
- Coordinates national policies to strengthen regional chains
- Identify opportunities for complementary specialization
- Prevents duplication of investments and subsidy wars

2 **Shared supply chains = shared resilience**
- Five specialized divisions with clear mandates
- Trilateral governance with equitable representation
- Flexibility to evolve as needed

3 **Complementary strengths = competitive advantage**
- Unique strengths: U.S. (innovation), Canada (resources), Mexico (manufacturing)
- Together: the world's most competitive industrial base
- Separated: vulnerable to China and Europe"

4 **Continental certification = labour mobility**
- Continental Skills Certification System
- Automatic recognition of credentials in 3 countries
- 60 million workers = a single labour market

5 **Strategic coordination = shared prosperity**
- Mapping of regional capacities (e.g. semiconductors in 6 Mexican states)
- Coordinated investments in strategic sectors
- From competing for jobs to creating jobs together


Toward a North American Industrial Strategy:

THE CASE FOR A NORTH AMERICAN INDUSTRIAL COORDINATION COUNCIL (NAICC)

DANIEL COVARRUBIAS, PH.D.
GERARDO (GERRY) SCHWEBEL

NASCO
TEXAS A&M INTERNATIONAL UNIVERSITY
TEXAS CENTER
TEXAS A&M INTERNATIONAL UNIVERSITY

Why now?

! RISKS IF WE DO NOT ACT

- China dominates 57 of 64 critical technologies
- Tariffs fragment 30-year chains
- 4.3M U.S. jobs + 4.1M Mexico vulnerable
- Each country doubles investments = inefficiency

OPPORTUNITIES IF WE COORDINATE

- Nearshoring: $150B in new investments
- 2026 window: Perfect USMCA revision
- Semiconductors: demand grows 200%
- Young talent: Mexico average age 29

The moment of decision: Compete with each other or compete together

North American Industrial Coordinating Council (NAICC)

A permanent institutional framework for aligning industrial strategies between the U.S., Mexico, and Canada, leveraging complementary strengths to improving North American competitiveness

Development of Strategic Sectors
Coordinates investments and maps capacities for priority sectors

Supply Chain Resilience
IIdentify vulnerabilities and develop coordinated responses

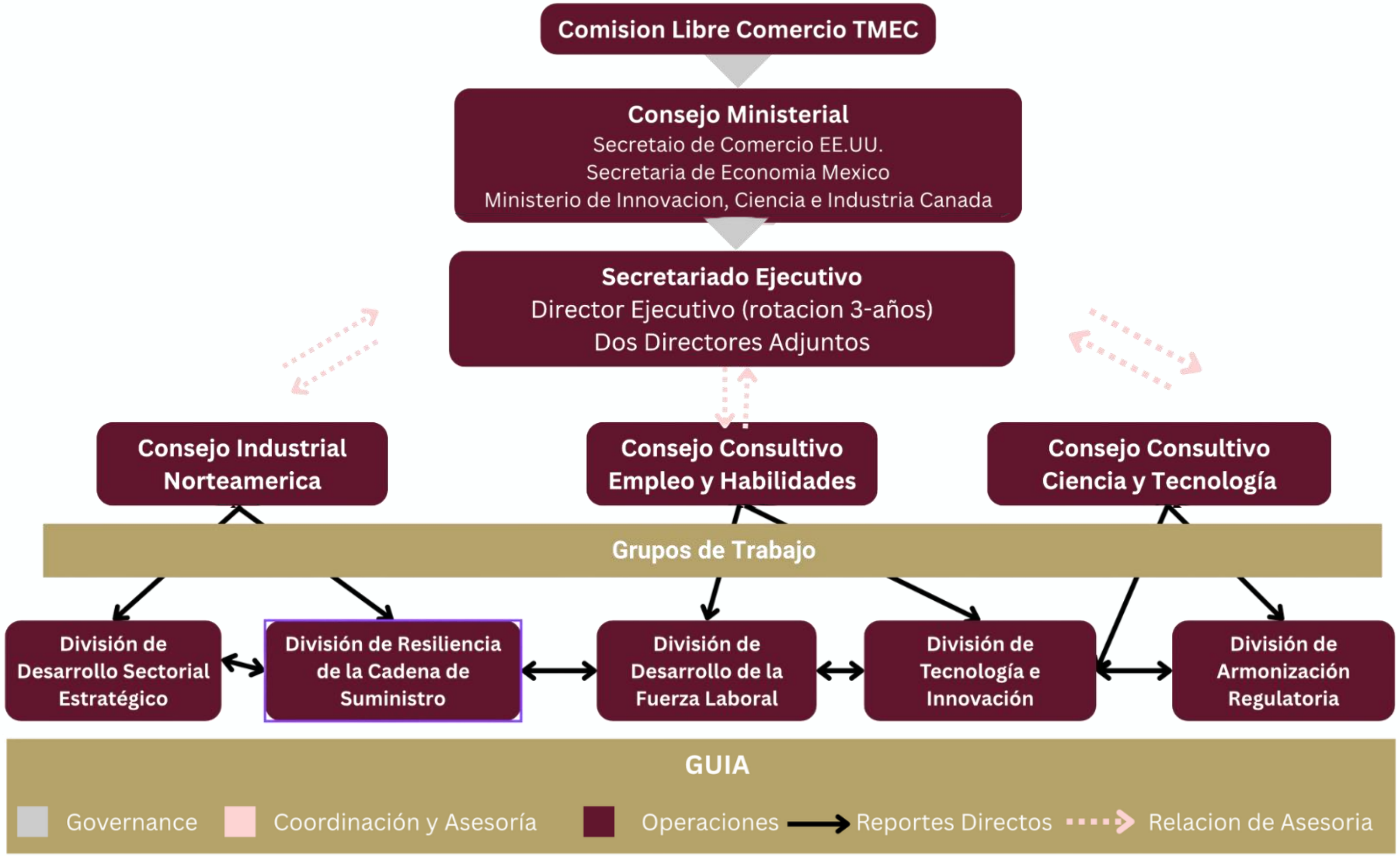
Technology and Innovation
Aligns R+D priorities and facilitates technology transfer

Workforce Development
Implement continental certifications and improve labor mobility

Regulatory Harmonization Reduce regulatory barriers and streamline compliance procedures

Positioning North America as a Cohesive Economic Power in a Global Environment of Strategic Competition

NAICC Organizational Structure



5 divisions = 5 coordinated solutions

Technology: The Nervous System of Integration

Without digital connectivity, industrial coordination is just theory

Breaking the Digital Wall: Technology as an Accelerator of Integration

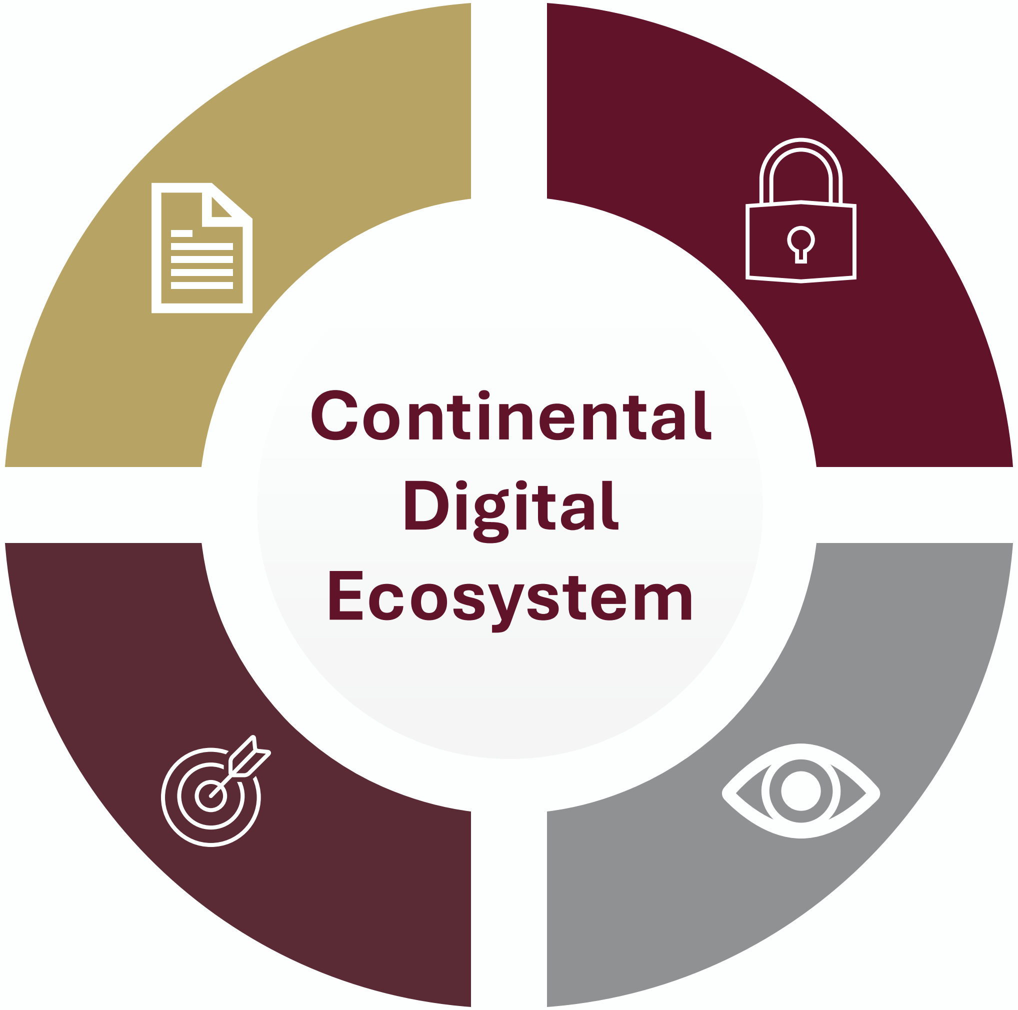
A digital nervous system for three nations

Full Interoperability

- Unified Digital Commerce Platform
- Tri-national standardized APIs
- End of fragmented systems

IA Continental

- Unified Governance for AI
- Shared ethical framework
- Innovation without borders



Blockchain Trinacional

- Recognized smart contracts
- Continental traceability
- Integrated Cyber Security

Absolute Transparency

- Real-time visibility
- Digital Cargo Twins
- Prediction with shared AI

The multiplier effect: Every dollar invested in integrated technology multiplies value through increased security and business efficiency.

From Concept to Action

The review of the USMCA in 2026 offers the window of opportunity to implement these visions. Preparations must begin now.

Beyond Tariffs: A Continental View

ECONOMIC RESILIENCE

Integration creates mutual strength through a coordinated response to global challenges. Thirty years of supply chain development have created comparative advantages that tariffs alone cannot replicate or protect.

STRATEGIC COORDINATION

It offers comprehensive solutions that address security concerns and economic growth. It moves beyond reactive trade policies to proactive industrial development strategies.

FOUNDATION FOR SUCCESS

It builds on three decades of progress in integrating cross-border trade and manufacturing. It takes advantage of established relationships and complementary economic structures.

RENEWED CONTINENTAL VISION

The time for bold action is now. This is the opportunity to reimagine American integration for the twenty-first century economy – working together rather than simply reacting to global challenges.

Two futures. A choice. Zero Time to Waste.

North America is at a crossroads that will define continental prosperity for generations.

Path A: Fragmentation

- Continued tariff volatility
- Weakened supply chains
- Loss of competitive advantage
- More than one million jobs at risk
- China fills the void

What's at stake

- $1.6 trillion in annual trade
- +17 million direct jobs
- 501 million consumers
- 30% of global GDP
- The Future of Manufacturing

Route B: Integration

- Shared Security Framework
- Prosperity multiplied
- Global competitiveness
- Innovation leadership
- Continental resilience

In short: We don't have to choose between security and prosperity. With the right framework, we can have both and be world leaders in demonstrating how it is achieved.

Re-imagining the Future of North America

The future of North America is not defined by tariffs, it is built by integration.
The choice is simple: fragmentation or shared prosperity.

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