



RESEARCH GROUP

GLENN WILLIAMSON, CEO & CHIEF RESEARCH OFFICER

Strengthening the Canada-Arizona Economic

Relationship Under the USMCA

ADDITIONAL WRITE-UPS

Weapons Systems

How the defense system between Canada and Arizona represents collaboration. Click [here](#) to read.

Energy

The foundation of Arizona's economic growth, quality of life, and long-term competitiveness. Click [here](#) to learn more.

Cross-Border

North America stands at a historic inflection point. Read the entire report [here](#).



Completing the USMCA renegotiations is critical for strengthening North America as a unified economic bloc, providing predictable rules for trade, investment, and innovation. For Arizona, strategically located at the nexus of Mexico, the southwestern United States, and Canada, the agreement presents opportunities to attract high-value investment, expand exports, and integrate more deeply into continental supply chains. Canadian investment has supported industrial expansion, technology startups, and real estate development, generating high-paying jobs and facilitating technology transfer. Arizona's exports include semiconductor equipment, industrial machinery, precision components, fruits, vegetables, processed foods, and critical minerals, while imports include fertilizers, machinery, minerals, and energy-related goods. Advanced manufacturing, technology, aerospace and defense, agriculture, energy, and natural resource sectors are particularly positioned to benefit from bilateral trade and joint initiatives with Canada,

Continued...

alongside trilateral engagement under the USMCA. Partial alignment of regulatory standards in food safety, biotechnology, and pesticide use has reduced trade friction, though further harmonization is necessary to fully capitalize on market opportunities.

Arizona faces challenges that must be addressed to maximize the USMCA's benefits. Water and energy resource management are critical due to reliance on the Colorado River, energy-intensive industrial operations, and the state's growing energy demands. Regulatory differences in agriculture, biotechnology, energy, natural resources, and environmental standards can impede trade, increase compliance costs, and limit market access. Logistics and customs inefficiencies, including bottlenecks at ports and border crossings, affect perishable goods, high-tech equipment, aerospace components, and time-sensitive industrial materials. Differences in tariffs, incentives, and regulatory frameworks can slow energy, technology, and defense collaboration, making clear pathways for bilateral trade, investment, and technology transfer with Canada essential. Engaging Canada in the negotiations with the same rigor as Mexico, and acting with speed to ensure all parties are aligned, is critical not only for Arizona's economic interests but for North America's global competitiveness. Failing to bring all three countries together risks fragmenting the region's trade approach and weakening its position in global markets. Like all states, Arizona must actively convince this administration of the advantages of maintaining a strong, fully realized USMCA to protect North America's unified trading position while nurturing key bilateral partnerships with Canada.

Arizona must adopt a coordinated strategy integrating regulatory alignment, infrastructure investment, innovation promotion, investment facilitation, sustainable resource management, and workforce development. Harmonizing state regulations with Canadian counterparts in agriculture, energy, natural resources, environmental, and technology sectors will reduce trade disputes, lower compliance costs, and create predictable rules for businesses and investors. Strategic investments in highways, rail links, ports, logistics hubs, and digital customs platforms will improve cross-border efficiency and strengthen supply chain reliability. Targeted incentives for Canadian investment in aerospace, defense, advanced manufacturing, and technology, combined with streamlined approval processes and investor protections, will stimulate high-value growth. Innovation promotion through bilateral research hubs, university-industry partnerships, commercialization accelerators, and shared intellectual property frameworks with Canada will enable technology transfer and strengthen Arizona's competitiveness. Cooperative programs in water and energy management and critical mineral development will ensure sustainable growth, while workforce training aligned with high-demand sectors, cross-border apprenticeships, internships, and mentorships will prepare Arizona workers and support talent pipelines for Canadian and U.S. firms.

Arizona's engagement in the 2026 USMCA joint review provides an opportunity to align state initiatives with federal priorities, anticipate regulatory challenges, and foster trilateral collaboration. Sector-specific initiatives—including co-located prototyping labs in advanced manufacturing, aerospace and defense testing and development facilities, harmonized biotechnology and food safety standards in agriculture, and joint investment in environmental technologies and critical minerals—can accelerate commercialization, optimize resource use, and expand employment.

Continued...

Infrastructure improvements integrated with real-time tracking and predictive analytics will enhance supply chain reliability and support just-in-time delivery models. Sustainability initiatives such as water and energy conservation, climate-resilient infrastructure, and technology-driven resource management, combined with innovation, workforce development, and investment facilitation, create a comprehensive framework for long-term competitiveness.

By actively prioritizing bilateral engagement with Canada alongside trilateral coordination with Mexico, and acting with speed to ensure all parties are on the same page, Arizona can strengthen trade, attract high-value investment, enhance supply chain resilience, and foster sustainable economic growth. Coordinated action across trade, infrastructure, innovation, sustainability, and workforce development, alongside close engagement with Washington and Ottawa, will create measurable benefits for businesses, workers, and communities, while deepening Arizona's integration into North American supply chains. Ensuring trilateral alignment with a strong bilateral focus is essential to maintain North America's unified approach to global trade; without it, the region risks being perceived as three fractured markets rather than one competitive economic bloc. Focused regulatory alignment, strategic infrastructure development, investment incentives, innovation promotion, sustainable resource management, and workforce development will allow Arizona to overcome logistical, environmental, and regulatory challenges while positioning the state as a leading hub for North American trade, innovation, aerospace and defense, and sustainable economic development under a fully realized USMCA framework.