



FORTALECEMOS  
LAS DEMOCRACIAS  
DE AMÉRICA LATINA

STRENGTHENING  
DEMOCRACIES  
IN LATIN AMERICA

# USMCA's First Test

## What will be decided—and what is at stake—on July 1?



# 1. USMCA at a Glance

## What is it?

A free trade agreement between Mexico, the United States, and Canada, in force since July 1, 2020.

## Term and Review

- It has an initial 16-year term, running through 2036.
- It also provides for periodic reviews every six years. **The first review will take place on July 1, 2026.**

## What did it replace?

- It replaced NAFTA, which had been in force since 1994.
- It updates labor, digital trade, and intellectual property rules.

**It establishes rules to facilitate market access among the three countries, defines which goods and services can move tariff-free, regulates specific sectors of the economy, and sets common standards on labor, the environment, and intellectual property.**

# 2. What Does USMCA Cover?

USMCA governs North America's trade relationship through more than 30 thematic chapters. As the July 2026 review approaches, not all chapters will arrive on equal footing: **red** marks areas that have led to formal disputes during the agreement's implementation; **orange** identifies chapters where tensions have emerged without escalating into formal conflict; and **green** highlights areas expected to reach the negotiating table with relative stability.



At least 75% of a vehicle's value must be produced in the region for it to qualify for tariff-free treatment, alongside specific labor requirements.



Ensures non-discriminatory treatment, capital transfers, and compensation for expropriation. Investor-state arbitration is limited to specific Mexico-U.S. sectors.



Requires fabric, yarn, and assembly to be sourced within the region, while setting quotas for products that use inputs from outside North America.



Defines rules of origin and regional content requirements that determine eligibility for preferential tariff treatment.



Allows tariff-free trade for most agricultural products, with key exceptions involving Canadian dairy and Mexico's restrictions on genetically modified corn.



Guarantees non-discriminatory treatment for banks, insurers, and investment funds.



Provides 20-year patent protection, copyright protection for 70 years after the author's death, safeguards for pharmaceutical data, trademarks and geographical indications, and measures against digital piracy.



Protects freedom of association, collective bargaining, and bans forced and child labor, with a Rapid Response Mechanism to investigate violations.



Bars tariffs on digital products, safeguards cross-border data flows, and restricts server localization requirements.



Makes environmental protections enforceable, targets illegal fishing and wildlife trafficking, and promotes sustainable trade.

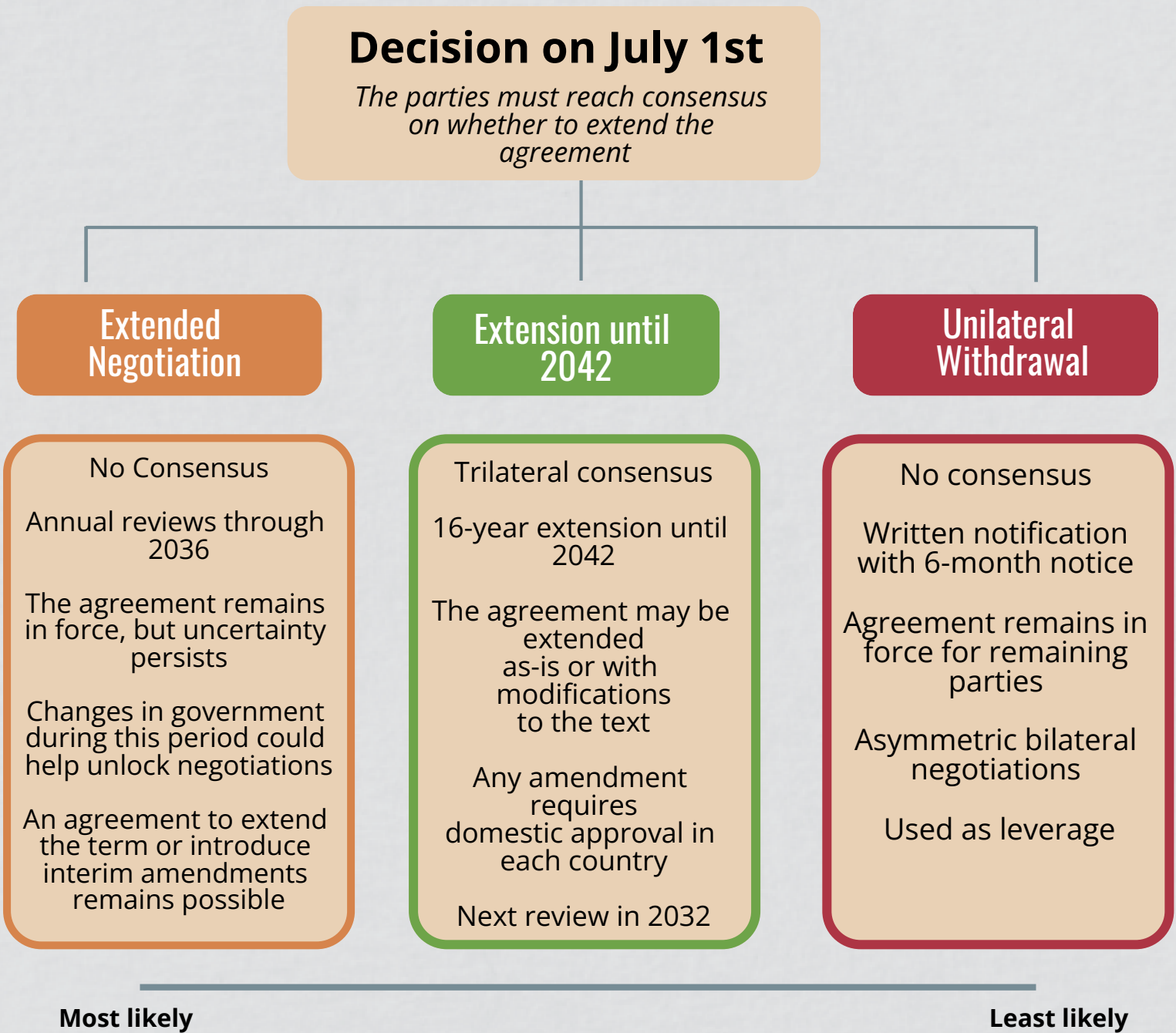


Promotes competition by prohibiting monopolies, collusion, and abuse of dominance, while protecting consumers from fraud and deceptive practices.



Ensures non-discriminatory access to and interconnection with telecom networks, sets rules on number portability and competition safeguards, and excludes broadcasting and television services.

# 3. What's at Stake for USMCA on July 1?



## Amendment Process

The parties may agree in writing to amend the agreement. Once signed by all three, each country must complete its domestic approval process. The amendment enters into force after the final party submits written notification.

- Mexico - **Senate** approval
- Canada - **Parliamentary** approval
- United States - Approval by **both houses of Congress**

# 4. USMCA from Mexico

## USMCA by the Numbers\*



**MEXICO ↔ U.S.**

Exports: **83%**

Imports: **41.1%**

Total trade: **US\$774B**

Trade balance (+): **US\$251B**

**1st trading partner**

**MEXICO ↔ CANADA**

Exports: **3.06%**

Imports: **2.05%**

Total trade: **US\$32B**

Trade balance (+): **US\$5.9B**

**3rd trading partner**

### Main traded products

- Automobiles
- Trucks
- Cables
- Auto parts
- Computers
- Medical supplies

### Main traded products

- Automobiles
- Auto parts
- Tractors
- Trucks
- Engines
- Monitors

## How Much USMCA Matters for Mexico

**43.4%**  
of Mexico's GDP is tied to USMCA trade



Total USMCA trade: US\$806B  
Mexico's GDP 2024: US\$1.86T

## Key Issues at Stake

- Automotive**  
U.S. pressure to raise regional content requirements.
- Steel and Aluminum**  
Trump imposed 25–50% tariffs in 2025 under Section 232, outside the USMCA framework.
- Energy**  
U.S. challenges preferential treatment of Pemex and CFE over foreign private companies.
- Chinese inputs**  
U.S. demands stronger rules of origin to limit third-country inputs in USMCA exports.

## Key Stakeholders



**Marcelo Ebrard**  
Secretary of Economy  
Lead negotiator



**Luis Rosendo Gutiérrez**  
Undersecretary for  
Foreign Trade



**Laura Itzel Castillo**  
Senate President  
Amendment ratification

\*Source: Bank of Mexico, Ministry of Economy (Data México) and World Bank. Data as of year-end 2024.

# 4. What Mexico Wants from the Review

## The Goal

Secure a USMCA extension with limited adjustments, avoiding a broader renegotiation

## Its Priorities

1

### Legal Certainty

Create a secure and predictable environment to attract foreign investment and support the establishment of companies through nearshoring.

2

### Energy Chapter Protection

Defends state control of the energy sector as a sovereignty principle, the main point of tension with the U.S. over the roles of Pemex and CFE.

3

### Curbing Unilateral Tariffs

Limit the discretionary use of tariffs for non-trade reasons — migration, security, trade deficit — and reaffirm USMCA as the valid framework for governing the economic relationship.

4

### Rules of Origin

Preserve the diversity of regional production networks and maintain current rules of origin against U.S. pressure to raise regional content requirements and exclude Chinese inputs.

## Mexico's Road to the Negotiating Table

1

### DOMESTIC INDUSTRY

- Tariff increases on countries without a free trade agreement with Mexico, targeting textiles, toys, personal care products and cosmetics.
- Increased anti-dumping investigations and countervailing duties on imports from China.
- Development of Industrial Property Law reform to ban the splitting of low-value shipments.
- Customs Law amendments and simplified import regime reform. Global rate raised from 19% to 33.5% for small shipments from countries without an FTA with Mexico.
- Plan México: attracting nearshoring investment and promoting import substitution.

2

### INTELLECTUAL PROPERTY

- Industrial Property Law reform: strengthening of IMPI, enhanced patent and trademark protection.
- Development of future Criminal Code reform to strengthen anti-piracy enforcement.
- Development of draft legislation to strengthen the "notice and takedown" mechanism under the Copyright Law.
- Reform of the Health Supplies Regulation to strengthen drug registration procedures.

3

### SECURITY

- Reinforced deployment of National Guard forces along the northern border.
- Bilateral cooperation with the U.S.: extradition of organized crime leaders and neutralization of "El Mencho".
- Dismantling of fentanyl production and trafficking networks.

# 5. U.S. and Canada: Positions Ahead of the Review

## USMCA by the Numbers\*



**U.S. ↔ MEXICO**

Exports: **16.2%**

Imports: **15.5%**

Total trade: **US\$839.6B**

Trade balance (-): **US\$171.5B**

**1st trading partner**

**U.S. ↔ CANADA**

Exports: **16.97%**

Imports: **12.61%**

Total trade: **US\$761.8B**

Trade balance (-): **US\$62B**

**2nd trading partner**

**Secure concessions from trading partners and reduce trade deficits by leveraging its dominant position**



## USMCA by the Numbers\*\*



**CANADA ↔ MEXICO**

Exports: **1.1%**

Imports: **6.2%**

Total trade: **US\$41B**

Trade balance (-): **US\$28.3B**

**3rd trading partner**

**CANADA ↔ U.S.**

Exports: **76.3%**

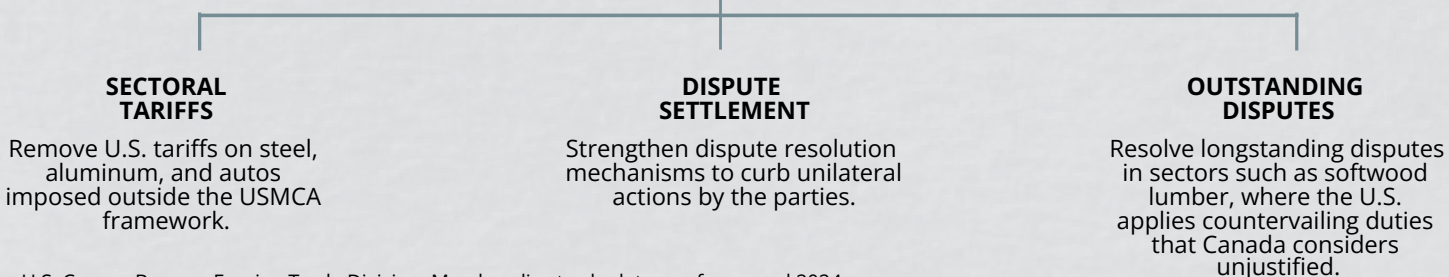
Imports: **49.2%**

Total trade: **US\$710.6B**

Trade balance (+): **US\$159.5B**

**1st trading partner**

**Renew USMCA with limited adjustments and stronger safeguards against unilateral tariff measures**



\* Source: U.S. Census Bureau, Foreign Trade Division. Merchandise trade data as of year-end 2024.  
 \*\* Source: Statistics Canada, Trade Data Online (Canadian International Merchandise Trade Database), 2024.  
 \*\*\* Trade figures may vary across countries due to differences in national statistical methodologies.



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