

USMCA Review

A Mexican Perspective

Eduardo Ramos

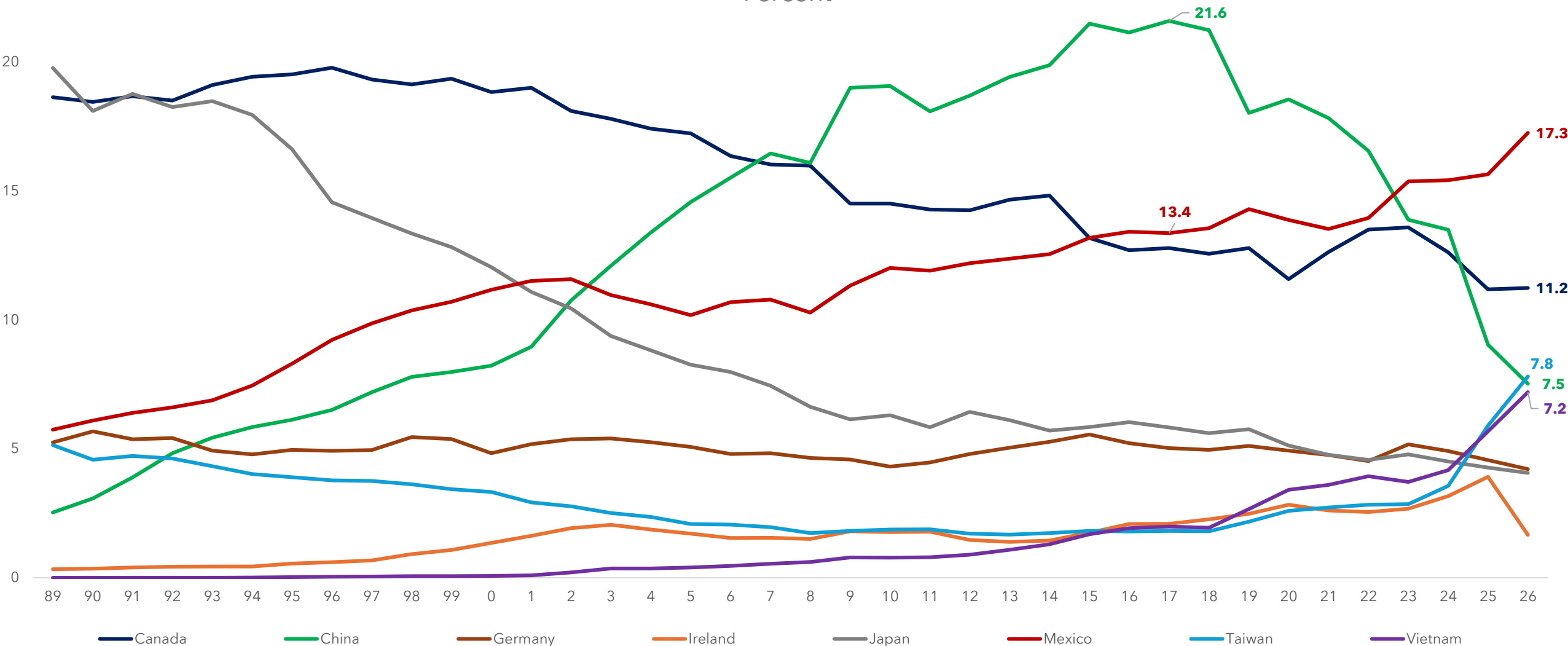
September 2026



Mexico Is Now the Leading Supplier of U.S. Imports

Share of U.S. Imports, Top 5 Countries

Percent



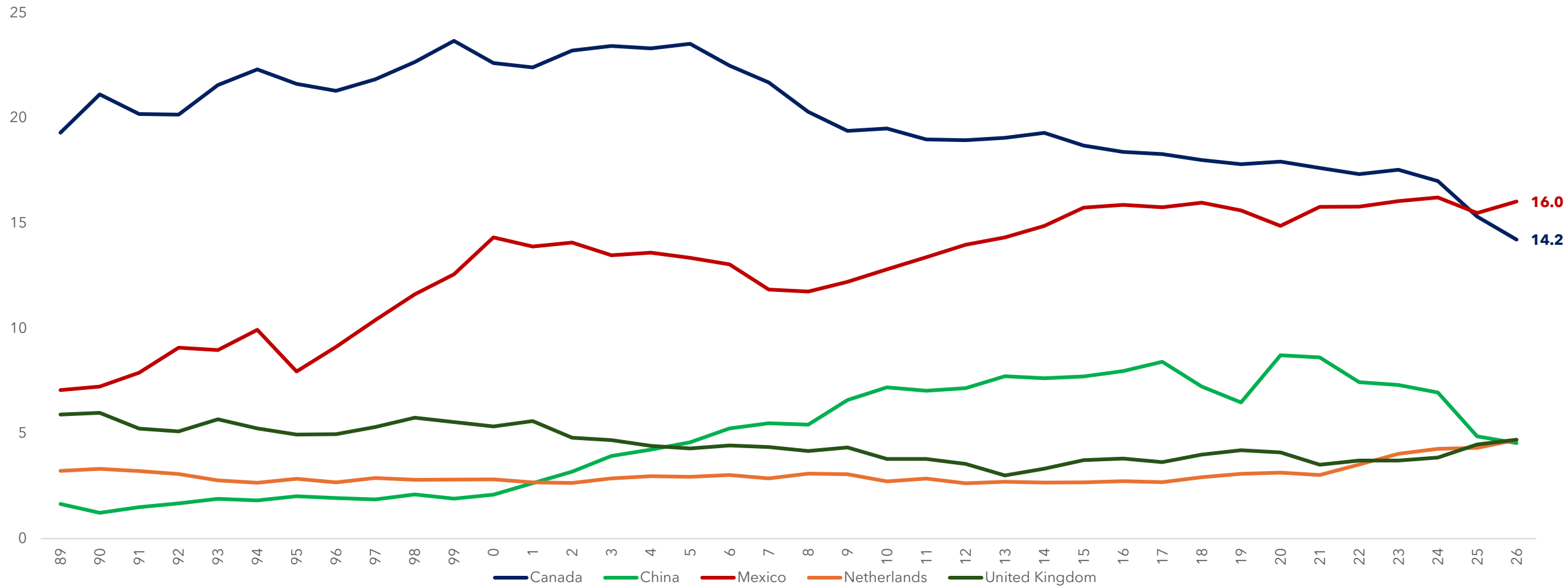
Source: U.S. Census (general imports)

Year-to-date through July 2026

Mexico is also the most important market for the US

Top Destinations for U.S. Exports

Share of Exports, Top 5 Countries
Percent



Source: U.S. Census

Year-to-date through July 2026

Risks to Mexico's nearshoring opportunity and the USMCA

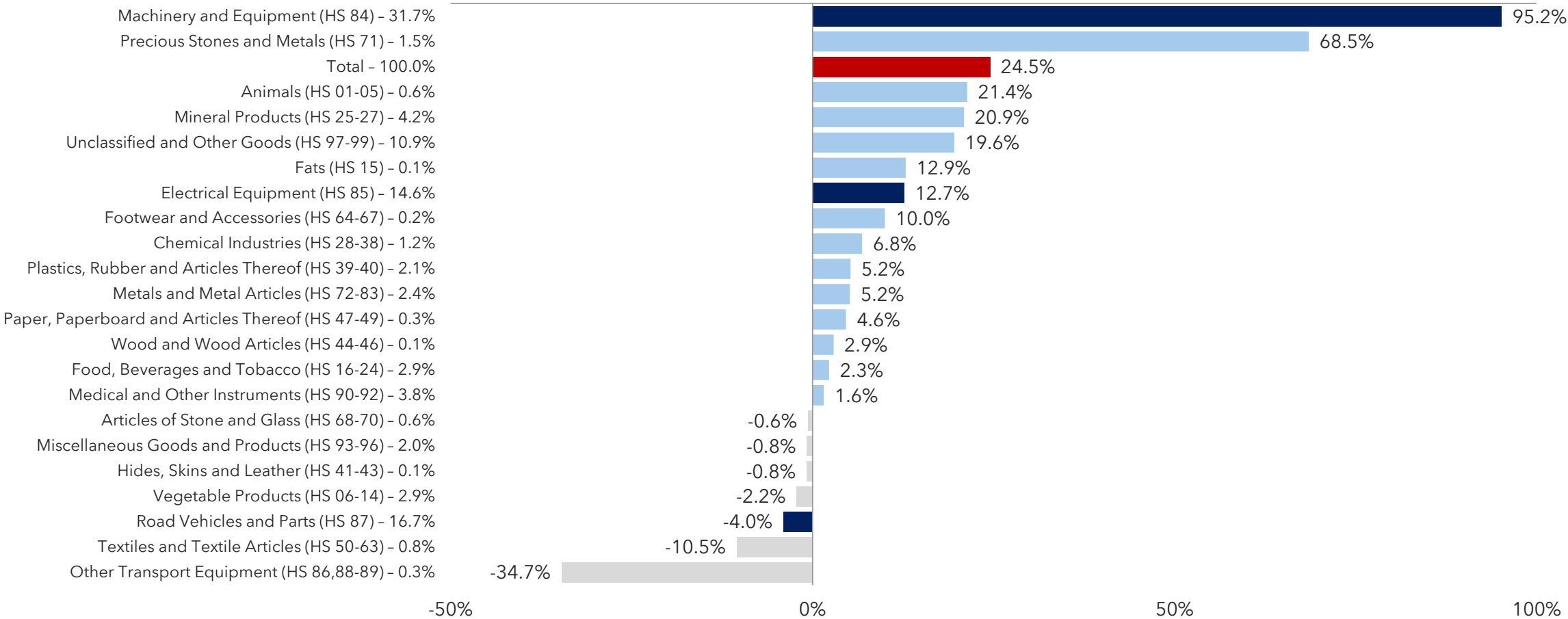
- **Renegotiation of the NAFTA** starts in 2017. **Trade deficit** a concern
- **Section 232 tariffs on steel and aluminum** including from Mexico (2018). Eliminated after Mexico applied **compensatory tariffs**
- **USMCA** negotiation includes **stricter regional value content requirements in vehicles** and **labor** provisions (2018)
- **Threat of applying tariffs on Mexico's autos link to migration** (2019)
- Trump II: **changes in tariff policy** to reduce trade deficits, reindustrialize, and strengthen supply chains resilience, economic security and national security (2025-2026)
 - **IEEPA** tariffs: **national emergency**. USMCA goods exempt
 - **Section 232** tariffs: **national security**. USMCA: vehicles only on non-U.S. content and auto parts exempt
 - **Section 122** tariffs (substituted IEEPA): **balance of payments**. USMCA exempt
 - **Section 301** tariffs (substituted Section 122): **unfair trade practices**. USMCA exempt
 - **General exclusions**: electronics
- U.S. demands to solve **non-tariff barriers** applied by Mexico (July 2025)
- **Non-extension of USMCA** during first Joint Review (July 2026) regardless of support by private sectors of the three countries

Dynamic Growth of Mexican Exports regardless US tariffs

Mexico's Exports by Major Sector

January-July 2026, annual change and share of total

Category - share in 2026



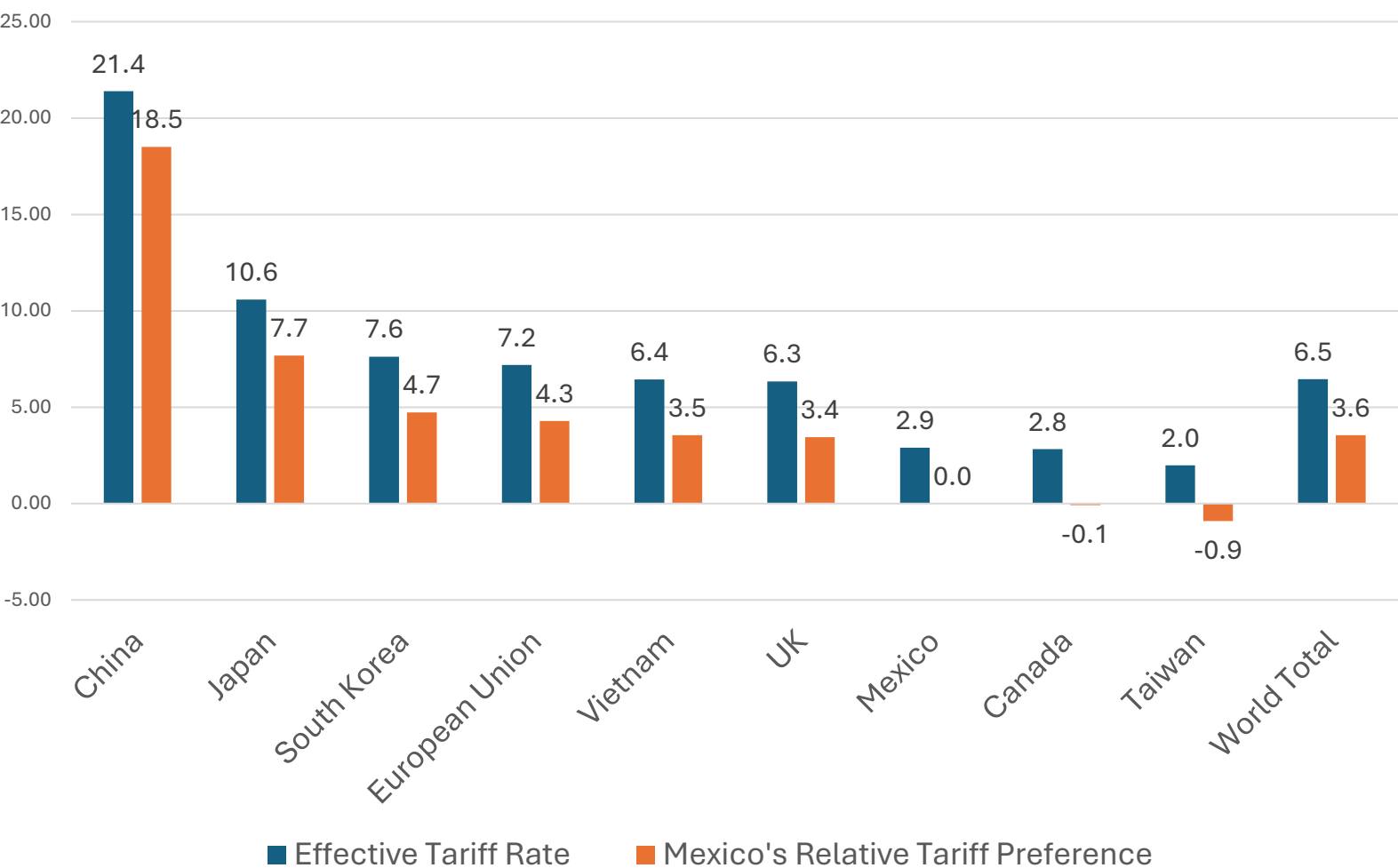
HS 97-99 retains unclassified and other goods: 10.9% of the total. Not reassigned to sectors. Same scale for both markets.

Source: UN Comtrade; Mexico as reporter

Mexico continues to face one of the lowest effective tariff rates in the U.S.

U.S effective tariff rates and Mexico's relative tariff preference

Effective tariff rate in % and relative tariff preference in percentage points, July 2026



U.S effective tariff rates Selected sectors July 2026 (%)

Sector	Effective tariff rate (%)
Iron and Steel Articles	42.1
Aluminum	39.1
Iron and Steel	27.1
Vehicles and automotive components	12.3
Electrical equipment	5.2

Source: Financial Times. FT calculations based on trade data from US Census Bureau. FT graphic: Martin Stabe • Data updated September 3 2026, 07:42 . Available at: <https://www.ft.com/content/2c473393-35fb-479d-8bba-236a1a98087c?syn-25a6b1a6=1>

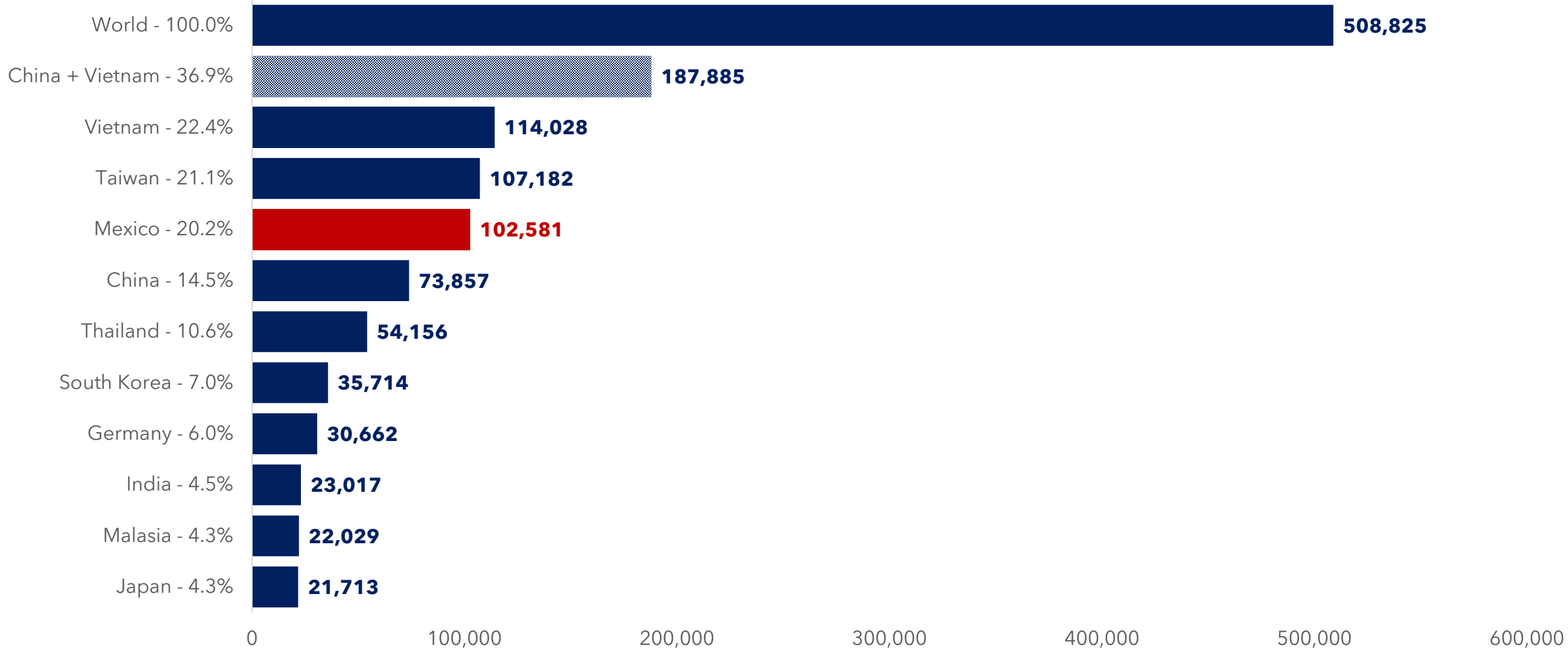
Mexico-U.S. Main Issues in the USMCA Review

- USMCA Review on **parallel tracks** with Mexico and Canada would converge
- **Two-stage negotiations**: Interim Agreement in 2026.
U.S.-Mexico Main Trade Issues:
 - a) U.S. **trade deficit** with Mexico
 - b) Tariffs** on Mexican goods
 - c) Rules of origin** for industrial goods
 - d) Economic security**
 - e) Mexico's **NTB** on U.S. trade and investment
 - f) Other issues: U.S. pressing for **seasonality** in Mexican agricultural products

a) US Trade Deficit with Mexico (1)

Mexico accounts for one-fifth of the U.S. goods deficit, below Vietnam and Taiwan together

Total U.S. goods trade deficit and bilateral deficits with selected countries, January-June 2026; millions of dollars and share of total



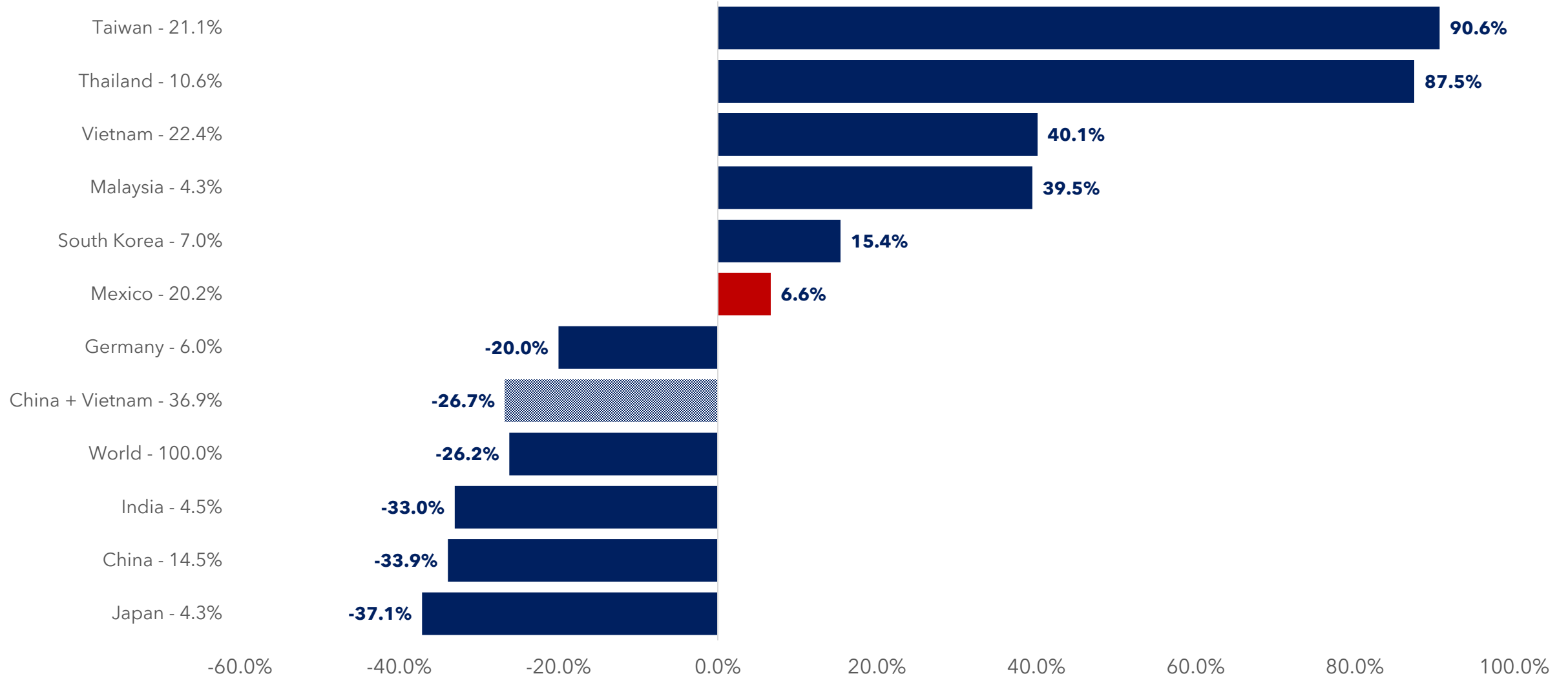
Source: U.S. Census

a) US Trade Deficit with Mexico (2)

The deficit with Mexico grew modestly while those with several Asian economies surged

Year-over-year change in the U.S. goods trade deficit, by partner, January-June 2026; percent.

Country labels show each partner's share of the total deficit

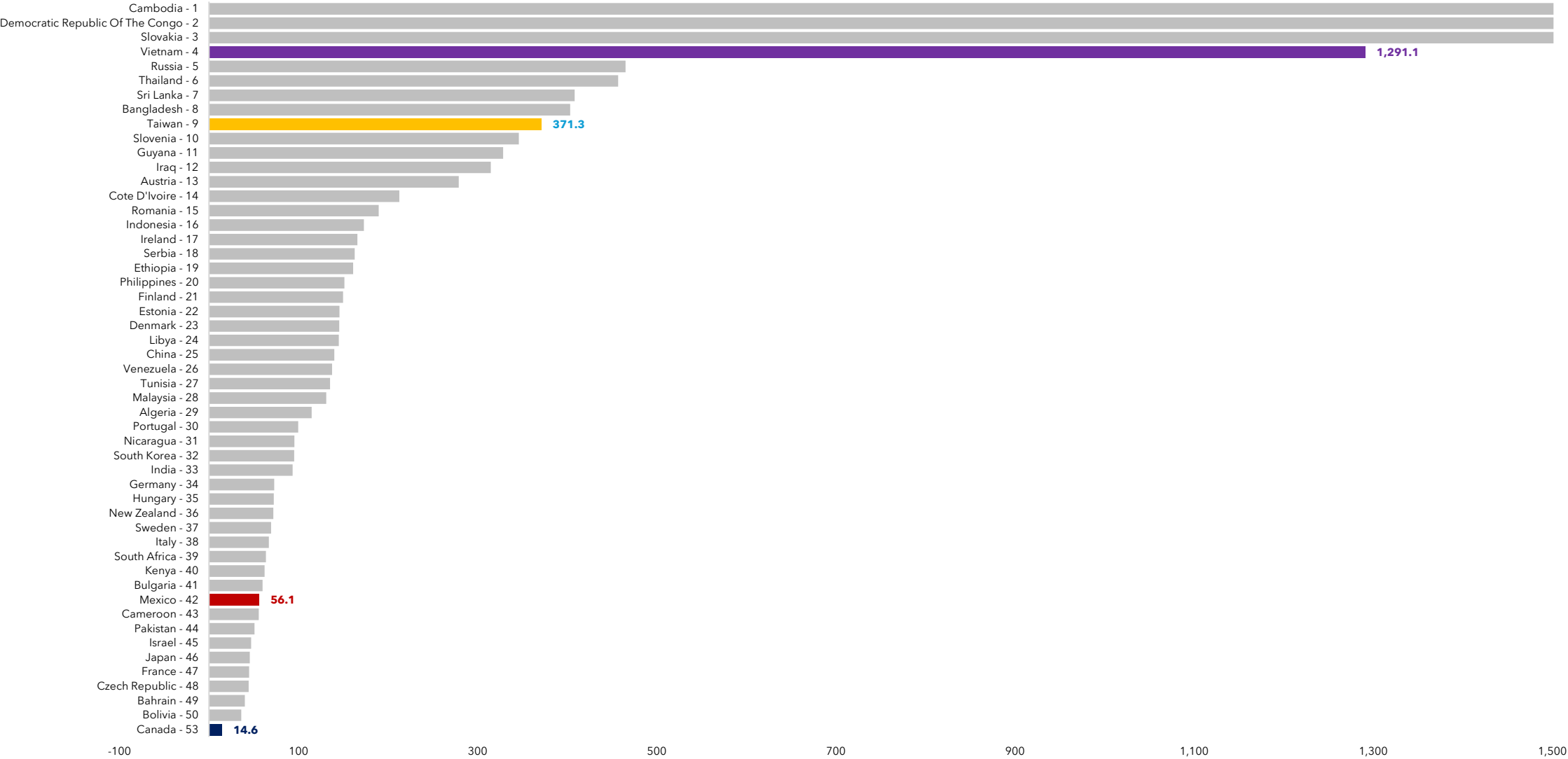


Source: U.S. Census

a) U.S. Trade Deficit with Mexico (3)

U.S. deficit with Mexico should not be a concern when considering deficit/export ratio

January-July 2026, top 50 countries with more than USD 87 million in exports,
trade-deficit-to-exports ratio, percent



b) Tariffs on Mexican goods

Exempting tariffs on USMCA goods promote regional integration

- **U.S. exempts USMCA-compliant Mexican goods** with exception of most Section 232 tariffs
- Rate of Mexican **USMCA-compliant goods** increased from around 50% to more than **80%** with U.S. tariffs
- Mexico is pursuing **exemption or reduction of Section 232 tariffs** and other current and future tariffs
- **Excepting all tariffs on USMCA goods** from Mexico is an **incentive to incorporate more regional value** content in its exports (including from the U.S.)
- **Inevitable increase of U.S. deficit with Mexico** (onshoring and reshoring)

c) Rules of origin for industrial goods

Strengthening rules of origin could favor North American integration

- Case of U.S. reported proposal of **increasing the regional value content (RVC) requirement for light vehicles** from 75% to 80% and 50% U.S. content
- But different from Asia, **North American supply chains are less self-reliant regionally**. They are dependent on Asia
 - **Upstream intermediate goods for the auto industry** and a substantial share of **high-tech components** (i.e., electronics, and machinery)
- **Strengthening rules of origin should be considered when there is room**, actual or potential, to provide competitive inputs from North America

e) Economic Security (1)

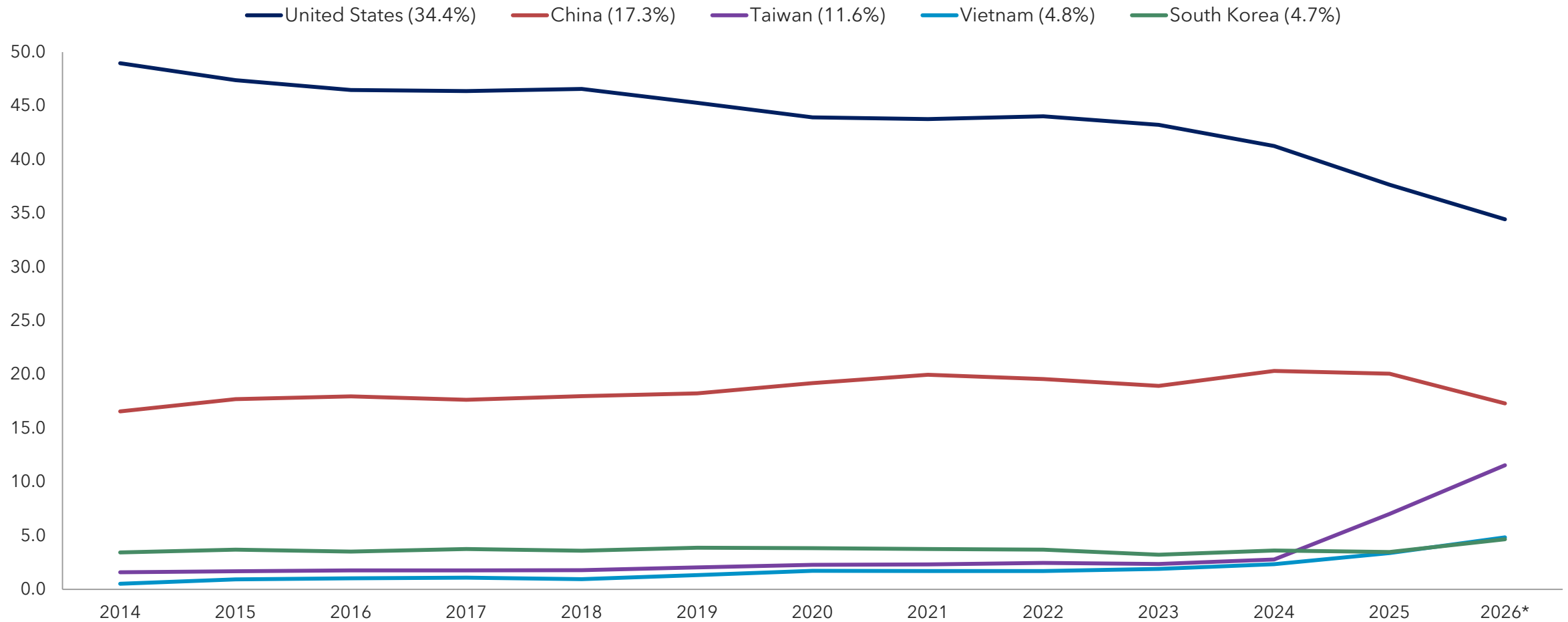
North American Fortress

- Alignment/strengthened cooperation on:
 - **Tariffs**
 - ✓ Last year Mexico increased MFN tariffs (i.e., non-FTA partners) to levels committed in the WTO in more than 1,400 tariff items (35% and 50% to light vehicles)
 - **Unfair trade**, circumvention, transshipment, and illicit goods from outside North America (i.e., China)
 - ✓ Mexico has applied antidumping duties to Chinese goods as non-market economy for years.
 - **Customs cooperation - traceability of imports**
 - **Investment screening**
 - ✓ Last month the President presented a bill to Congress regarding the screening of acquisitions by foreign investors based on national security considerations
 - **Supply-chain security**
 - Temporary import programs

e) Economic Security (2)

Mexico is not a transshipment point for Chinese goods bound for the U.S.

Share of Mexico Imports, Top 5 Countries



2014-2025: full years. 2026*: January-June. Geographic aggregates are excluded from the top-five country selection.

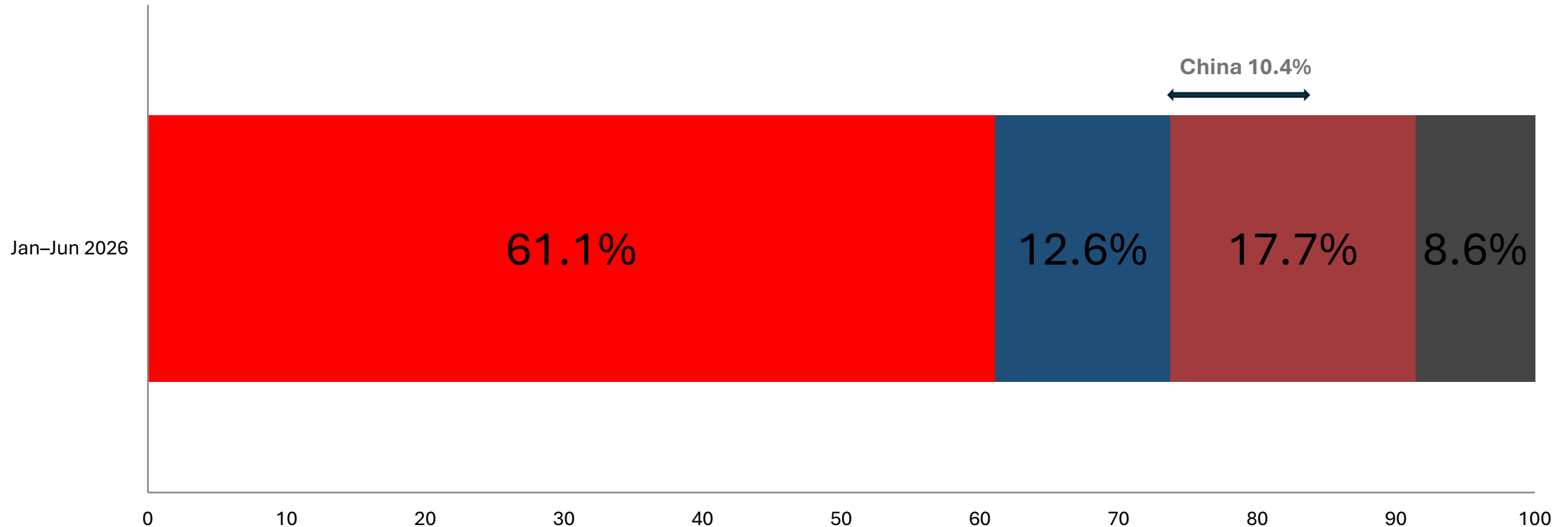
June 2026

e) Economic Security (3)

Most value added in U.S. imports from Mexico is from NA and from China is small

Nowcast of the origin of value added embodied in U.S. imports from Mexico, January-June 2026; percentage of total value added, using OECD TiVA ICIO 2022 coefficients

■ Mexico ■ United States and Canada ■ China, Hong Kong and rest of Asia ■ Rest of world



d) Mexico's non-tariff on US trade and investment

- Progress in the solution of NTBs identified by USTR

Issue	Barriers
Customs and trade facilitation	Insufficient prior notice and short comment periods ; stricter broker liability; expanded detention/seizure powers; port restrictions ; four-port broker limit; no periodic payment for express delivery.
Health products and agricultural chemicals	COFEPRIS delays for sanitary registrations , import permits, delays in inspections and GMP certifications; delays or lost registrations for pesticides and agricultural chemicals.
Technical barriers and SPS	Pending Quality Infrastructure Law regulation; concerns on international standards/conformity assessment; local Specific Absorption Rate testing; GMP for medical devices ; potato access and biotech corn compliance.
Government procurement	Extra procurement points for suppliers investing in Mexico's domestic production chain, infrastructure or R&D for medicines for health supplies and medical devices.
Intellectual property	Piracy/counterfeits in physical and online markets; weak enforcement and penalties; bad-faith trademarks; lengthy infringement proceedings; EU GI commitments; pending IP/copyright regulations .
Services and telecommunications	Limits on cross-border electronic payment services; card-processing competition barriers; uncertain approvals for U.S. cloud services; dominant telecom supplier; telecommunications authority independence concerns and high spectrum fees .
Investment: energy, mining and restricted sectors	Policy favors CFE/PEMEX; CFE 54% prevalence/ownership in mixed projects ; permit delays/revocations; fuel-logistics restrictions; PEMEX arrears; LitoMx exclusivity; closed/capped foreign investment sectors.
Non-market policies	Insufficient measures or commitments to address non-market policies and practices, despite limited actions on non-FTA tariffs and steel excess capacity.
Labor	Concerns over freedom of association, collective bargaining and labor-law enforcement ; forced-labor import prohibition does not appear to be effectively enforced.
Environment	IUU fishing and illegal logging/timber trade , distorting trade and disadvantaging compliant U.S. producers.

Conclusions

- Mexico-U.S. **integration goes beyond the deficit**
- **Relative tariff preferences** matter to Mexico, but **sectoral tariffs remain** a constraint
- **Exempting USMCA-originating goods** from Section 232 tariffs **encourages regional sourcing**
- **Stronger rules of origin can deepen regional integration** where competitive North American inputs are available or can be developed.
- **Economic security** is a key component of negotiations
- A successful agreement faces **political risks**
- **U.S. incentive to continue with USMCA annual reviews** to extract concessions
- **U.S. business activism to support USMCA is crucial**
- **Short-term gains for Mexico can carry lasting implications;** Mexico must preserve leverage for next stage of negotiations

Assessment/Likey Outcome

- **Interim Agreement** elements to consider:
 - Mexico's **non-tariff barriers**
 - **Tariff elimination/reductions** for Section 232 and other current and future tariffs
 - **Reduction U.S. deficit** with Mexico
 - **Strengthening rules of origin** in vehicles and in a limited universe of goods
 - **Economic security** (cooperation versus unconditioned alignment)
 - **Seasonality**
- **Negative impact on North American competitiveness**
depends on scope of measures

Thanks...

