

Are the conditions still in place for the USMCA to continue after its scheduled review in 2026?

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The Question

For many, the review of the USMCA on July 1, 2026, will take place without major conflicts—adjustments will be made to its functioning, but it will not amount to a renegotiation of what was agreed. That’s what the leading candidate in Mexico’s presidential election has said, and it was also suggested by Mexico’s Secretary of Economy when she mentioned that preparations were underway with the Mexican private sector to review and address the issues that have arisen in the agreement’s operation.

However, several signs indicate that the scheduled review will be uncomfortable and create uncertainty. The first is that the last two U.S. Trade Representatives (USTRs)—Tai and Lighthizer—have already publicly stated that it will be difficult (see Verbatim). If on July 1, 2026, either of them (Lighthizer could return under Trump) does not confirm the U.S.’s desire to extend the agreement for another 16 years, the USMCA will be subject to annual reviews over the remaining 10 years of its term (Article 34.7, paragraph 4). The uncertainty that such a decision would bring would be enormous, especially for Mexico. This possibility is not a flaw in the agreement but rather a built-in feature of the USMCA. The mechanism was expressly designed for the U.S. to exert its power over its treaty partners.

In practice, negotiations have already begun. The scheduled review is being discussed at think tank events, and countries have already formed working groups and business support teams. No topic is off the table; it is possible to "review any recommendation" made by the parties and to "decide on any appropriate measure" (Art. 34.7.2, USMCA). And the initial negotiation agenda has already been set by the USTRs themselves. Two main issues dominate: a) recovering in the USMCA review what the U.S. lost or demanded in dispute panels (e.g., autos, energy, and genetically modified corn), and b) aligning Mexico’s and Canada’s positions on China with that of the U.S.

China is “the elephant in the room” in the USMCA review, and perhaps that’s why Mexico has already begun aligning with the U.S. In late 2023, Mexico’s Finance Ministry signed a Memorandum of Understanding (MoU) with the U.S. Treasury that would allow the U.S. to review Chinese investments in Mexico. In April, Mexico issued a decree establishing anti-China tariffs. The U.S. also hasn’t waited—on May 14, it imposed harsh tariffs on Chinese products (particularly electric vehicles, batteries, semiconductors, solar panels, steel, and aluminum). There is also alignment between Mexico and the U.S.’s industrial policy, reflected in the development project of “Wellbeing Poles” across various regions of the country.

But China isn’t the only elephant in the room. The real elephant in the room is that, both in discourse and practice, Mexico has been distancing itself from democratic and liberal values, and from the Western geopolitical alignment of USMCA member countries (see Annex). The current Mexican administration has clashed with U.S. government agencies, media, and civil society organizations. More importantly, in the U.S., Mexico’s image is deteriorating, tainted by issues like migration, fentanyl, and drug trafficking. Mexico increasingly projects less of the image of a liberal, capitalist democracy in progress—an ally of the West—that it tried to embody in the 1990s when NAFTA was first agreed.

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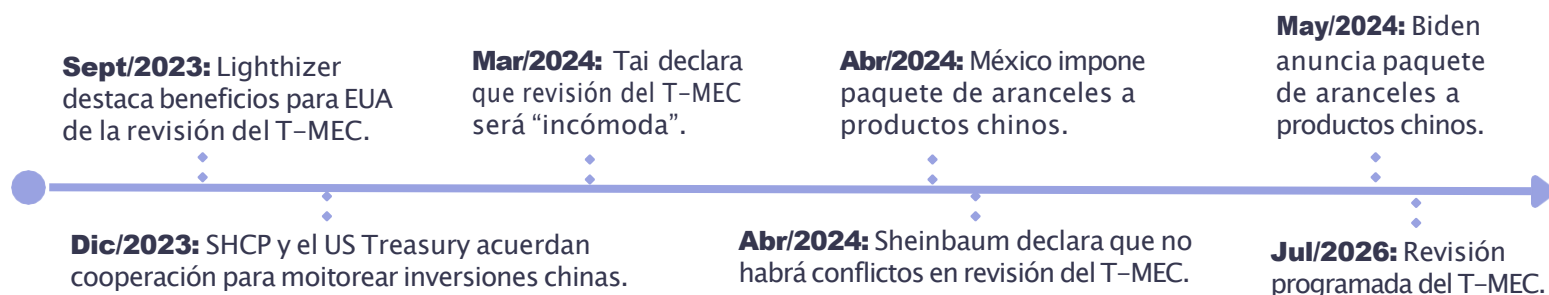
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Ergo

The president elected in 2024 will take office facing an unprecedented budget deficit and social programs requiring growing fiscal resources. She won't have the luxury of being ambiguous or waiting a couple of years to define her stance. Given foreign investors' experience with AMLO, the next president will not be granted the benefit of the doubt.

A departure from North America's democratic and liberal values might not be as relevant with Trump as a counterpart; however, under Trump, Mexico's closeness with the U.S.'s geopolitical rivals would be even more serious. At the same time, Trump's own distance from those values could weaken the U.S. commitment to free trade. Furthermore, the continuation of the USMCA depends on bipartisan consensus in the U.S. If Mexico wants to keep reaping the benefits of the USMCA project, it will need to send a clear message that, beyond trade, it is a trustworthy ally—one that is genuinely interested in being part of North America.

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Verbatim

"The USMCA is the first major trade agreement to include a sunset provision. The terms of the agreement must be reviewed every six years. If the agreement is not changed to Washington's satisfaction, it would automatically end ten years after... The sunset provision provides the U.S. with an opportunity to correct problems soon after they emerge." "

Robert Lighthizer, Former US Trade Representative, "The New American Way of Trade", Foreign Affairs, September, 2023.

"The review must acknowledge how much the world changed after the pandemic and due to the rise of China [...] The whole point is to maintain a certain level of discomfort, which may involve a certain level of uncertainty to keep the parties motivated."

Katharine Tai, Brookings USMCA Forward 2024 Event, March 6, 2024.

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Annex. *The elephant in the room.* Mexico is distancing itself from the U.S. and from liberal values.

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Event	Date
Mexico did not attend the Summit of the Americas due to the exclusion of Cuba, Venezuela, and Nicaragua.	22/jun/2022
The American Petroleum Institute, the American Clean Power Association, and the National Association of Manufacturers have called for action against Mexico's energy policy.	10/mar/2023
The National Corn Growers Association has expressed concern over Mexico's anti-GMO corn policy.	2/jun/2023
The American Bar Association has urged the Mexican government to respect judicial independence.	30/jul/2023
The President of Mexico has called U.S. military aid to Ukraine irrational.	2/oct/2023
Mexico has demanded support from the U.S. and the lifting of trade sanctions on Venezuela and Cuba to help address the migration crisis.	4/feb/2024
The New York Times and the White House condemned statements made by Mexico's presidency against journalists.	22/feb/2024
In response to U.S. demands to curb fentanyl trafficking, the Mexican government suggested the U.S. is failing to address the root causes of the crisis.	24/mar/2024
Mexico's presidency rejected the U.S. State Department's human rights report on Mexico.	23/apr/2024
For the second time, the New York City Bar Association has spoken out against the Mexican presidency's attacks on judicial independence.	24/apr/2024