

CLIENT ALERT

USMCA Review: First Formal Negotiating Round Concludes in Mexico City

June 2, 2026



EXECUTIVE SUMMARY

What happened: The first formal bilateral negotiating round of the 2026 USMCA joint review concluded on May 29 in Mexico City. The round was co-led by Mexican Economy Secretary Marcelo Ebrard and U.S. Deputy Trade Representative Ambassador Jeff Goettman, and included a bipartisan delegation of U.S. Members of Congress from the House Ways and Means Committee, as well as approximately 60 U.S. business representatives. Ebrard confirmed that a second round will take place in Washington, D.C. on June 16–17 and a third round will be held in Mexico City during the week of July 20.

Key takeaways for companies operating in Mexico:

- **Automotive rules of origin are the primary flashpoint.** The United States tabled a proposal requiring that at least 50% of the value of each vehicle produced in North America originate specifically in the United States. Secretary Ebrard publicly rejected the 50% threshold, though no Mexican counter-offer has yet been made public.
- **Steel and aluminum tariffs are Mexico's top ask.** Ebrard stated that the existing 50% U.S. tariffs on steel and aluminum imports from Mexico are "unsustainable" and made clear that Mexico will press for their removal or significant reduction throughout the review.
- **The U.S. delegation's bipartisan composition signals congressional weight.** The presence of Ways and Means Members from both parties — accompanied by 60 business representatives — reflects the strategic importance the United States attaches to this review and to the North American commercial relationship.
- **The private sector on both sides is actively shaping the agenda.** The round included formal sessions with major Mexican business organizations (CCE, Comce, AmCham), as well as meetings between congressional delegates and counterparts in both chambers of Mexico's Congress and with export manufacturing sector associations.

- **The clock is running.** The three parties must decide before July 1, 2026 whether to extend the agreement. Mexico and Canada have confirmed their readiness to renew; the U.S. position remains uncertain given President Trump's public ambiguity about whether to allow the agreement to lapse.
- **Senate Democrats are pressing hard on labor.** In advance of the round, Senator Tammy Baldwin led 14 Democratic colleagues in a letter to USTR Greer demanding that the review deliver "significant and measurable gains" for American workers, including stronger labor standards in Mexico and enforcement of USMCA labor commitments.

*Monarch's full analysis below provides a detailed assessment of the round's outcomes, the U.S.-Mexico negotiating dynamic on autos, steel and labor, congressional and private sector priorities, and the strategic implications for companies with North American supply chains and IMMEX operations. **Monarch's team is available to discuss your specific situation.***

I. THE ROUND: WHAT HAPPENED

The first formal bilateral round of negotiations toward the 2026 USMCA joint review ran from May 27 to 29 in Mexico City, with formal working sessions held on May 28 and 29 at the Ministry of Economy (“Economía”). The round was conducted under instructions from President Claudia Sheinbaum, according to Secretary Ebrard, and took place against a tightly compressed timeline: a second round is already scheduled for Washington on June 16–17, and a third for Mexico City during the week of July 20.

The U.S. delegation was led by Ambassador Jeff Goettman, Deputy U.S. Trade Representative, supported by senior USTR staff including Daniel Watson, Sushan Demirjian, Katherine Mastman, Daniel O'Brien, and Amanda Mayhew. Notably absent was USTR Jamieson Greer, whom President Trump called to a Cabinet meeting during the Mexico City sessions. The U.S. delegation also included a bipartisan group of Members of Congress from the House Ways and Means Committee — the body with primary congressional jurisdiction over U.S. trade agreements — and approximately 60 business executives from a range of sectors.

At the close of the round, the two governments issued separate press releases. [Mexico's Ministry of Economy characterized the first formal round](#) as ending with a positive result in a constructive atmosphere of frank dialogue, while USTR framed its own objectives more narrowly around reducing the U.S. trade deficit with Mexico and strengthening American supply chains. Both sides reported

that negotiators discussed automotive rules of origin, steel and aluminum, and regional economic security, and [USTR noted](#) that the two countries “recognize the importance of advancing cooperation to enhance regulatory compatibility to strengthen sectors, including medical devices, pharmaceuticals, cosmetic products, and others.” They confirmed that talks would continue on June 16–17 in Washington, D.C., with a third round the week of July 20 in Mexico City. According to Economía’s press release, the priority was to generate certainty for investment and preserve jobs associated with the export sector.

One notable feature of the current process is that, unlike typical USMCA rounds conducted trilaterally among the United States, Mexico, and Canada, these negotiations currently involve only Mexico and the United States — a dynamic that several participants have noted as significant. Canada appears to prefer delaying substantive negotiations until after the Trump administration. In practical terms, North America may increasingly evolve toward a de facto bilateral framework under the broader USMCA umbrella, with country-specific tariff structures applied through Section 301-type measures. Notably, companies operating under IMMEX programs that remain compliant with USMCA rules of origin have emerged in a comparatively favorable position under recent U.S. tariff actions (IEEPA and Section 232), and this relative preferential treatment is expected to continue under future Section 301 actions as well.

II. THE FAULT LINES: AUTOS, STEEL, AND RULES OF ORIGIN

The 50% U.S. Content Proposal

The most contentious moment of the first round was the U.S. tabling of a proposal to require that at least 50% of the value of each vehicle produced in North America originate specifically in the United States — effectively a national (rather than regional) content requirement layered on top of USMCA’s existing rules of origin. Secretary Ebrard publicly and firmly rejected the 50% threshold, describing it as incompatible with the integrated nature of the North American automotive supply chain. Mexico has not yet put a formal counter-proposal on the table, though the debate over the appropriate percentage will dominate subsequent rounds.

Ebrard framed Mexico’s broader position as a demand for consistency: if USMCA imposes origin disciplines on goods exported from Mexico, the same logic should apply to goods exported to the United States from other regions that do not face equivalent rules. Mexico’s implicit argument is that it has already accepted the most stringent automotive rules of origin ever negotiated — including

labor value content requirements under USMCA — and should not now be subject to additional unilateral demands.

Steel and Aluminum Tariffs

Mexico made clear in the first round that removal of U.S. tariffs on steel and aluminum is a non-negotiable Mexican priority. Ebrard stated publicly that the existing 50% tariff is "unsustainable" for Mexico and cannot persist under a renewed agreement. The U.S. position on these tariffs — which were not formally discussed in the working sessions but were flagged in pre-round comments by Goettman — is that they are likely to remain in place under a renewed USMCA framework, suggesting a significant gap that must be bridged before July 1.

It is also worth underscoring that, while steel and aluminum tariffs create immediate political friction, their deeper economic impact is felt across automotive supply chains and export manufacturing sectors. Mexico's more realistic objective is not full tariff elimination, but rather preferential treatment that provides comparative advantages over third countries — particularly in steel, aluminum, and automotive products. The key strategic question is what Mexico can credibly offer in exchange. Additionally, the broader inflationary effects of tariffs on the U.S. domestic market could eventually generate internal political pressure that affects the Trump administration's negotiating positions, particularly as the United States approaches the November 2026 midterm elections.

Supply Chain Security and the China Variable

A central organizing theme of both the U.S. approach to the review and the composition of the agenda is supply chain security — and specifically the effort to reduce North American dependence on Chinese inputs and to ensure that the USMCA preference regime is not used as a routing mechanism for goods with substantial non-North American content. This emphasis on the "China-through-Mexico" concern was visible in the Federal Register notices for the parallel Section 301 investigations (covered in our [March 18 Monarch News Alert](#)) and was reinforced in the discussion of rules of origin at this round.

III. CONGRESSIONAL AND PRIVATE SECTOR ENGAGEMENT

Ways and Means Members in Mexico City

The participation of bipartisan House Ways and Means Committee members in the Mexico City round was one of the most visible signals of how seriously Washington is treating the 2026 USMCA review. The Ways and Means Committee exercises principal congressional oversight over U.S. trade agreements, and its bipartisan representation in the delegation sent a clear message that the review has broad political salience — not just within the executive branch.

Congressional members held working meetings with their counterparts in both the Mexican Chamber of Deputies and the Mexican Senate, as well as structured sessions with representatives of Mexico's leading business organizations. These interactions serve a dual function: they give U.S. legislators first-hand exposure to the complexity of the bilateral relationship and the integrated nature of North American supply chains, while also providing the Mexican private sector a direct channel to communicate its concerns and priorities to the U.S. Congress.

Reception with the Mexican Private Sector

On May 28, Ambassador Ronald Johnson and Goettman hosted a formal reception with the leaders of Mexico's principal business associations. The CCE was represented by its President, José Medina Mora Icaza; the Comce by its Executive President, Sergio Contreras Pérez; and AmCham México by its President, Oscar del Cueto. The event marked the formal opening of what both governments characterized as a structured, good-faith dialogue with the private sector.

Del Cueto summarized AmCham's view with a phrase that resonated across the sessions: "We don't have to divide the cake — we can make a bigger cake together." The CCE President offered a sharper framing of the private sector's bottom line: Mexico's business community acknowledges that tariffs will remain in play under Trump, but demands that any tariffs imposed on Mexican goods be accompanied by concrete reciprocal benefits. As Medina Mora put it: "He [Trump] wants there to be tariffs. Fine — but we need to receive some benefit in return for that tariff."

Export Manufacturing Sector (INDEX) Meetings

The National Council of the Maquiladora and Export Manufacturing Industry (INDEX) — which represents over 1,200 IMMEX companies and more than 2.7 million workers across 24 Mexican states — held dedicated sessions with the congressional delegation and executive branch representatives. INDEX's engagement reflected the sector's acute exposure to the outcome of the review: IMMEX-based manufacturers are particularly sensitive to rules-of-origin tightening, changes

to temporary import regimes, and any tariff action that disrupts integrated North American supply chains.

INDEX National President Humberto Martínez Cantú has positioned the IMMEX program as a cornerstone of North American regional competitiveness, and the organization's Washington office maintains a permanent presence to advocate before Congress and relevant stakeholders. The Friday session with congressional delegates allowed INDEX to place on record its concerns about unilateral tariff risk, the importance of IMMEX program continuity, and the competitiveness implications of potential rules-of-origin changes.

Senate Democratic Pressure on Labor

In advance of the Mexico City round, Senate Democrats mounted a coordinated effort to shape the U.S. negotiating agenda. Senator Gary Peters (D-MI) led a bipartisan letter signed by Senators Klobuchar, Baldwin, Tina Smith, and Slotkin calling on USTR to prioritize protection of American manufacturing jobs, resist offshoring, and confront unfair Chinese trade practices in any USMCA renegotiation.

Senator Tammy Baldwin led a separate, larger group of 14 Democratic colleagues — including Schumer, Warren, Duckworth, Schiff, and Booker — in a letter to Greer arguing that USMCA labor standards "must be viewed as a floor, not a ceiling." The letter pressed for more aggressive enforcement of Mexico's labor law commitments, improvements to the Rapid Response Mechanism, and action on Chinese investment in Mexico. The senators also called for ILAB to be adequately resourced to monitor and enforce labor obligations.

IV. THE CALENDAR: WHAT COMES NEXT

Three rounds, less than two months, alternating cities. The rhythm is deliberately compressed, reflecting the hard constraint of the July 1, 2026, review date. Each round adds topics:

- **Round 1 (May 28–29, Mexico City):** Economic security; rules of origin for key industrial goods.
- **Round 2 (June 16–17, Washington, D.C.):** Adds agriculture and fair competition conditions.
- **Round 3 (Week of July 20, Mexico City):** Intended to close outstanding issues; de facto deadline for agreement.

July 1 is not a hard cliff: because the agreement remains in force under its existing terms, the parties can — and, with a third round already scheduled for the week of July 20, evidently intend to — keep negotiating past that date. The binary choice only crystallizes if and when the parties conclude the process will not yield a renewal: at that point they would either enter a regime of annual reviews (which could continue until 2036) or allow the agreement to lapse entirely. Mexico and Canada have both signaled their preference for a full 16-year extension. The U.S. position remains ambiguous, and that ambiguity is itself a negotiating instrument.

The third round in late July is widely viewed as the decisive session. If the parties cannot close the gap on automotive rules of origin, steel tariffs, and labor enforcement by then, the probability of annual reviews — with all the associated uncertainty for investment — rises sharply. Analysts have described this scenario as the risk of the USMCA entering a "zombie" phase: technically alive but hollowed out as a platform for integrated North American manufacturing.

Closely tied to the Round 3 timeline is a separate but related date that market participants are closely monitoring: July 24. That date has emerged as a key window for potential Section 301-related decisions and announcements from the Trump administration, particularly if the White House seeks to maintain, restructure, or escalate portions of its current tariff framework. The convergence of Round 3 negotiations and the July 24 Section 301 window creates a compressed decision point in late July during which the direction of North American trade policy could shift materially. Companies with IMMEX operations or significant exposure to U.S. tariff actions should treat this period as a high-alert window for scenario planning and contingency preparation.

A point that warrants particular clarity for companies and investors: if the parties do not reach a finalized review or renegotiation package by July 1, 2026, the USMCA does not expire or terminate. The agreement continues in full force under its existing terms. What triggers instead is a regime of annual joint reviews, which the three governments would conduct each year until a comprehensive renewal is agreed — or until the agreement reaches its longer-term sunset date in 2036. This means the commercial and legal framework governing North American trade remains intact, tariff preferences under USMCA continue to apply, and supply chains operating in compliance with existing rules of origin are not disrupted. The primary consequence of missing July 1 is not legal uncertainty, but political and investment uncertainty: companies, financial markets, and trading partners are left without a clear signal of the long-term trajectory of North American integration. Participants in recent discussions noted that investors and banking institutions generally

understand this framework, which has helped contain expectations of an abrupt near-term disruption — though the absence of a renewed agreement would sustain a degree of strategic ambiguity that could weigh on long-cycle investment decisions.

Looking at the broader timeline, there is broad consensus among participants that no definitive outcome is realistic before July 1. The most widely held expectation is that the three governments will signal that additional time is required, while potentially highlighting progress on a limited number of specific issues or sectoral understandings. Legally, reaching July 1 without a finalized review package would not terminate or materially alter USMCA operations — the agreement would remain in force under its existing terms, with the review process continuing into 2027 if necessary and extending annually toward the agreement's 2036 sunset. Financial markets, investors, and banking institutions generally understand this legal and institutional framework, which has helped reduce expectations of an abrupt disruption to North American trade in the near term.

V. IMPLICATIONS FOR COMPANIES WITH NORTH AMERICAN OPERATIONS

The first round confirmed the stakes and identified the pressure points. For companies with significant North American supply chain exposure — and particularly for those operating under IMMEX — several near-term action items stand out:

- **Audit your rules of origin position now.** The U.S. push for higher North American (and specifically U.S.) content in autos and key industrial sectors means that origin documentation will face heightened scrutiny regardless of the final USMCA outcome. Know your compliance posture before the next round.
- **Map your non-North American input exposure.** The China-through-Mexico concern is not going away. Companies with significant non-North American inputs — particularly from China — should model the tariff scenarios that would apply if Section 301 determinations coincide with the USMCA review.
- **Engage the process directly.** Companies with material interests in the USMCA outcome should consider participating in the comment and hearing process — both through their sector associations and directly. The Section 301 comment dockets remain open, and future rounds will generate additional opportunities to place U.S. jobs, content, and compliance facts on the record.

- **Assess IMMEX program exposure.** IMMEX-based manufacturers face compounding risks: potential USMCA rules-of-origin tightening, parallel Section 301 tariff exposure, and heightened administrative scrutiny from Mexican authorities on IMMEX renewals and import permits. Proactive compliance review is essential.
- **Prepare for multiple scenarios.** The range of outcomes — from a full 16-year extension to annual reviews to agreement lapse — remains wide. Scenario modeling across these paths is no longer optional; it is a necessary input to investment and operational planning.

VI. MONARCH'S ASSESSMENT

The first round confirmed what the architecture of the pre-round maneuvering already suggested: the United States is using the USMCA review as a vehicle to rebuild tariff leverage — leverage it lost when the Supreme Court struck down IEEPA-based tariffs — and to restructure the terms of North American integration in ways that concentrate more manufacturing value inside U.S. borders.

A further consideration worth flagging is that President Trump may have little incentive to fully conclude the USMCA review process quickly. Maintaining an ongoing negotiation process may itself provide strategic and political leverage — a dynamic some participants have described informally as a "Sword of Damocles" hanging over the region's trade and investment environment. At the same time, broader U.S.-China negotiations could create additional strategic flexibility for Mexico: if Washington is engaging Beijing through direct negotiations, Mexico may also seek additional room to maneuver economically and commercially. It is also worth noting that while tariffs provide political leverage and influence supply-chain decisions, they alone may not fully address the deeper structural drivers behind U.S. trade imbalances — a point that could gradually shape the administration's calculus over time.

Mexico entered the round with a legally coherent position: it has already accepted the most stringent automotive rules of origin in any trade agreement in history, and its manufacturing success under USMCA is evidence that those rules are working as designed, not evidence of treaty abuse. The risk for Mexico is that this argument, while legally sound, may prove politically insufficient in an environment where Washington is focused on bilateral trade balances and U.S. content levels rather than treaty compliance.

The private sector engagement — from both sides of the border — was a meaningful feature of this round. The presence of Ways and Means Members, the structured sessions with CCE, AmCham, Comce, and INDEX, and the parallel Democratic Senate pressure all point to a process in which congressional and business voices will play an active shaping role. Companies that remain passive observers risk having their interests defined by others.

The round closed with a constructive tone but without concrete agreements. The real negotiation begins in Washington on June 16. Monarch will continue to monitor developments closely and provide analysis as the process unfolds.

As we write this, we are awaiting USTR’s official notification to Congress of its intentions, due June 1st. With all signs now clearly pointing toward the agreement blowing past its July 1 renewal date, we are noting signs that President Sheinbaum is increasing her nationalistic rhetoric and may be growing impatient and more strident in asserting Mexico’s equities. This past Sunday, at a Mexico City rally marking the second anniversary of her election, she gave [remarks](#) that leaned hard on the nationalist card — accusing the U.S. far right of interfering in Mexico’s internal affairs and casting the recent U.S. Department of Justice indictments of Mexican officials, including Sinaloa Governor Rubén Rocha Moya, as the most serious such intervention to date. Her decision to strike this tone — while still pledging continued cooperation against organized crime — suggests she has revised her strategy for managing President Trump and may have concluded that a successful USMCA review is now unlikely, leaving her little reason to keep holding her fire. Even a marginally harder line is likely to generate fallout over the next two rounds, making a shift to annual reviews increasingly difficult to avoid.

Monarch will continue to monitor developments. Our team is available to assist companies with USMCA compliance reviews, IMMEX program assessments, supply chain audits, Section 301 scenario modeling, and strategic guidance on the matters addressed in this Alert. Please contact us to schedule a consultation.

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