PRESS RELEASE

The United States, Canada and Mexico: renegotiating the USMCA will be very difficult, but North American trade will survive

Singapore, July 9, 2026 – **With the United States, Canada and Mexico having begun the formal review of the USMCA[1], the negotiations are set to be particularly tense. However, despite the growing differences between the three partners, a lasting reversal of North American economic integration remains unlikely, given how deeply entrenched industrial interdependencies have become.**

Key figures:

- **51%** cent of vehicles imported into the United States come from Canada and Mexico
- **60%** of US crude oil imports come from Canada
- Exports to the United States account for **30%** of Mexico's GDP and **17%** of Canada's

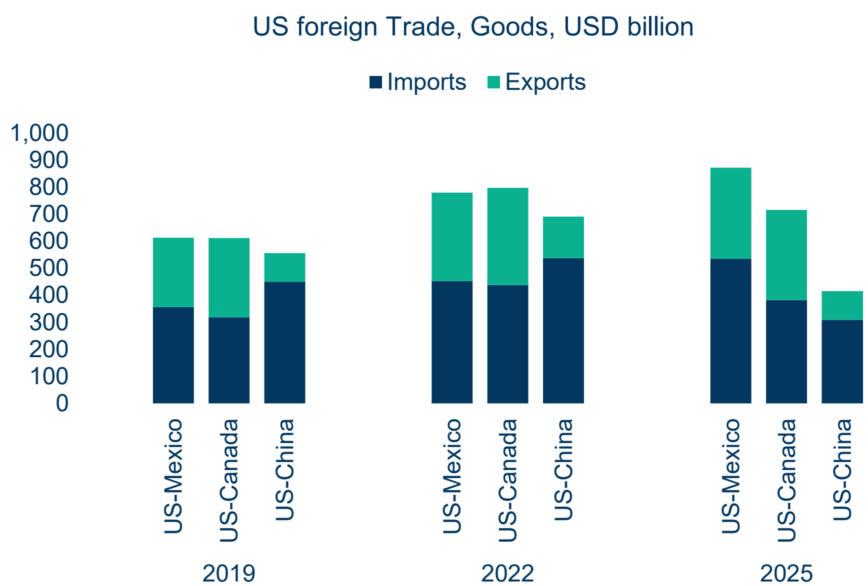
A USMCA review under intense pressure

1st July marks the start of the first official review of the USMCA, which came into force in 2020 to replace NAFTA[2]. This review, which was initially intended to be a simple update, is ultimately taking place against a backdrop of significant trade tensions. The Trump administration wishes to renegotiate several provisions of the treaty in depth, notably the rules of origin for the automotive sector, trade relations with China, access to the Canadian dairy market and certain Mexican energy policies. Faced with these demands, Mexico and Canada have strong reasons to stand firm on their positions, which suggests that the negotiations will be long and complex.

Economic integration that has become difficult to challenge

Since the USMCA came into force, the total value of trade between the United States and each of its two neighbors has risen from around **615** billion USD in 2019 to nearly **800** billion USD in 2022, thereby overtaking China as the United States' main trading partner.

[1] United States–Mexico–Canada Agreement
[2] North Atlantic Free Trade Agreement



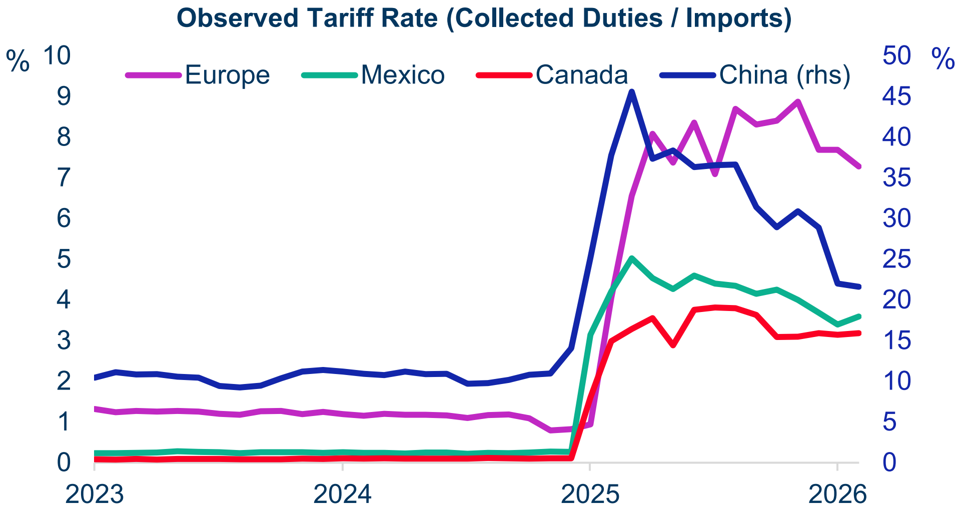
This interdependence is particularly evident in strategic sectors. Canada and Mexico account for **51%** of vehicles imported by the United States and **58%** of the country's automotive parts purchased from abroad. In some cases, an automotive component crosses the US-Mexico border five to seven times before being incorporated into a finished vehicle. These complementarities are just as strong in the energy sector, where Canada accounts for **60%** of US crude oil imports.

In other words, North American value chains have now become too integrated for a reversal to be economically painless.

The trade war reinforces the treaty's strategic importance

Against the backdrop of the current trade war, the stakes surrounding the agreement have only increased. Compliance with USMCA rules has become the primary means for Canadian and Mexican companies to secure tariff exemptions. Goods compliant with the USMCA have been exempted from most of the customs duties successively imposed by the White House.

This situation now gives Canada and Mexico a significant competitive advantage over other US trading partners, notably China. Against the backdrop of the reorganization of global supply chains, preferential access to the US market is becoming a major strategic asset for both countries.



Source: US Census Bureau, Macrobond, Coface

However, this success is also heightening tensions surrounding the treaty. As the gap widens between the access conditions granted to its North American partners and those imposed on China, Washington is concerned about the risks of its trade policy being circumvented and about Beijing's continuing influence in certain regional supply chains. This is precisely why the US is keen to tighten certain provisions of the agreement, notably the rules of origin for the automotive sector and the framework governing trade relations between its neighbours and China.

A swift resolution is unlikely, but a compromise remains possible

Discussions could extend into 2027. The positions currently being defended appear difficult to reconcile, and the initial preparatory talks have failed to narrow the differences.

Nevertheless, the scenario of a complete US withdrawal without an alternative solution remains unlikely. Such a decision would cause major disruption to North American supply chains and to many industries across the three countries.

A pragmatic compromise therefore remains the most credible outcome. This could take the form of targeted concessions allowing each party to safeguard its strategic interests whilst maintaining a preferential framework for regional trade.

"*The negotiations now beginning are set to be long and contentious. But the industrial integration built up over three decades has become too deep-rooted to be called into question overnight. Even in the event of a deadlock over the USMCA,* *Canada and Mexico are likely to retain some form of preferential access to the US market, as the economic cost of a breakdown would be considerable for all three countries.*" **Marcos Carias, North America economist at Coface**

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