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FEATURED Q&A

What Will an Early Renegotiation Mean for the USMCA?

Mexico's economy minister said this week that he expects a review of the U.S.-Mexico-Canada trade agreement to start early, in September or October. // File Photo: Emmanuel via Adobe Stock.

Q Mexico's government expects a review of the U.S.-Mexico-Canada Agreement (USMCA) to begin this September or October, instead of as scheduled in July 2026, Economy Secretary Marcelo Ebrard said Tuesday, Reuters reported. U.S. President Donald Trump has called for the agreement, which he negotiated during his first term in office, to be reworked. What is the significance of an early renegotiation of the USMCA, and how might it affect the consultation process' outcome? How might non-trade-related factors like migration play into a new agreement? How feasibly could the agreement be significantly reduced in scope?

A Lila Abed, director of the Mexico Program at the Inter-American Dialogue: "With the upcoming statutory deadline this fall, it is widely anticipated that the U.S. government will initiate the USMCA consultation process this summer. This, along with the USMCA carve-outs and considerations in recent U.S. trade and tariff actions, signals the importance of the regional agreement and a proactive effort to provide economic clarity in an otherwise uncertain trade environment. Coming in the wake of volatile tariff policies during the first months of the Trump administration, this early start will be seen as a stabilizing move by investors, businesses and industries across North America. While the upcoming review does not entail a full renegotiation of the trade agreement, it opens the door for critical discussions on key friction points. Among the anticipated topics are adjusting rules of origin thresholds, reviewing labor provisions and resolving inconsistencies. This

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TODAY'S NEWS

ECONOMIC

U.S. Appeals Court Preserves Trump's Broad Tariffs

A U.S. federal appeals court on Thursday issued an order preserving president Donald Trump's sweeping tariffs, a ruling that came less than 24 hours after a trade court had blocked the levies.

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BUSINESS

Arbitration Ends in Chevron-Exxon Dispute Over Hess Acquisition

Arbitration proceedings concluded in ExxonMobil's dispute with Chevron over its planned purchase of Hess, which has a 30 percent stake in the venture that Exxon leads in Guyana's Stabroek Block.

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BUSINESS

Puerto Rico Will Cancel Contract With Luma Energy

Puerto Rico will cancel its contract with Luma Energy, the private utility that manages the U.S. territory's power network, Governor Jenniffer González Colón said Thursday.

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González Colón // File Photo: @Jenniffer via X.

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ECONOMIC NEWS

U.S. Appeals Court Preserves Trump's Broad Tariffs

A U.S. federal appeals court on Thursday issued an order preserving most of President Donald Trump's broad tariffs on numerous nations, including Canada, Mexico and China, pausing a decision on Wednesday by a federal trade court that had halted the tariffs, saying Trump had exceeded his authority in ordering them, The New York Times reported. Thursday's order by the Washington-based U.S. Court of Appeals for the Federal Circuit means that Trump can continue with the tariffs, which include levies the president has imposed, citing emergency powers, on Canada, Mexico and China over the smuggling of fentanyl, as well as "reciprocal" tariffs that Trump imposed on several countries in early April but then paused for 90 days. The Liberty Justice Center, a nonprofit public interest law firm, represented several companies that sued to halt the tariffs said Thursday in a statement that the appeals court's decision "is merely a procedural step as the court considers the government's request for a longer stay pending appeal," CNN reported. The appeals court on Thursday ordered both sides to present written arguments by early next month. The issue is likely to be ultimately decided by the Supreme Court. "Hopefully, the Supreme Court will reverse this horrible, Country threatening decision, QUICKLY and DECISIVELY. Backroom 'hustlers' must not be allowed to destroy our Nation!" Trump wrote as part of a lengthy post on his Truth Social social media platform in response to Wednesday's ruling by the New York-based Court of International Trade, which had blocked the tariffs.

BUSINESS NEWS

Arbitration Finishes in Exxon-Chevron Dispute Over Hess

Arbitration proceedings at the International Chamber of Commerce wrapped up this week in ExxonMobil's dispute of Chevron's purchase of Hess, which holds a 30 percent stake in ExxonMobil's venture in the offshore Stabroek Block in Guyana, ExxonMobil senior vice pres-

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last area could include further examination of Mexico's energy policies, its elimination of independent regulatory agencies and judicial reform, which have raised concerns about Mexico's adherence to the spirit of the agreement and the potential impact on regional economic cooperation. New topics and chapters for the USMCA agreement could potentially include China and security. If Mexico chooses to align more closely with Washington's strategy to curb Chinese economic influence, it could bolster regional security and reinforce North America's integrated trade framework. The USMCA has already demonstrated benefits by increasing jobs and investment flows, and this review presents an opportunity to build on those gains. For Mexico, realigning policies in favor of this evolving trade landscape could solidify its role as the United States' top trading partner, while enhancing the agreement's long-term effectiveness and credibility."

Carin Zissis, interim director of the Washington Office and editor-in-chief of AS/COA Online, at the Americas Society/ Council of the Americas: "Since re-entering the Oval Office, U.S. President Donald Trump has signaled he would seek an early review of the USMCA, and the fact that his administration's first tariff tussles were with Canada and Mexico only underscored the potential. That explains why Secretary Ebrard, who has said he visits Washington every 10 days for meetings, indicated

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NEWS BRIEFS

Petroecuador Declares Emergency at Ecuador's Largest Oil Refinery

Ecuadorean state oil company Petroecuador on Thursday declared a 60-day state of emergency at the country's largest refinery following a fire that damaged some fuel tanks earlier in the week, Reuters reported. The declaration was Petroecuador's second in a month, following an earthquake at the end of April that caused damage at the Esmeraldas refinery.

Puerto Rico to Cancel Contract With Luma After Blackouts: Governor

Puerto Rico plans to cancel its contract with Luma, the private utility firm that operates the U.S. territory's power transmission and distribution network, Governor Jenniffer González Colón said in a speech on Thursday, the Associated Press reported. Puerto Rico recently suffered island-wide power outages twice in a four-month span, first on New Year's Eve, and then again on April 16, the AP reported. González Colón added on Thursday that she is seeking additional U.S. federal funding for modernizing and repairing Puerto Rico's power grid.

Colombia's Gas Output Expected to Decline by 6 Percent This Year

Although oil and gas firms in Colombia are expected to boost their investments in exploration and production this year by $350 million, it won't be enough to reverse trends of declining natural gas and stagnating oil output in the short term, Colombia's leading fossil fuel industry group said in a report published on Thursday, Reuters reported. Colombia is expected to finish this year with average daily natural gas production down 6 percent relative to last year, according to the Colombian Oil and Gas Association.

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ident Neil Chapman said at a conference on Thursday, Reuters reported. A final decision on whether Chevron can proceed with the acquisition is expected in July or August, Chapman said. ExxonMobil's legal team has argued that the company has a right to block Chevron's purchase of Hess, which would subsequently bring the two competing firms into a partnership in Guyana, Bloomberg News reported. Chevron agreed to purchase Hess for $53 billion in October 2023, with the deal centered around Hess' holdings in Guyana's Stabroek Block, Bloomberg News reported. The deepwater Stabroek Block is Guyana's only active oilfield, with production having opened in 2019. ExxonMobil is the block's primary operator, holding a 45 percent stake in the venture; China's CNOOC controls the remaining 25 percent stake in the project that is not controlled by Hess. The Stabroek Block accounted for an average of more than 600,000 barrels of oil per day last year, an increase of nearly 50 percent from 2023 thanks to the opening of a third floating, production, storage and offloading vessel (FPSO), Reuters reported. Ongoing efforts to build four new FPSOs are set to boost the project's daily crude oil output to 1.7 million barrels by 2029, ExxonMobil announced in February.

Patria Investments Accelerating Efforts in Private Credit

Brazil-based alternative credit manager Patria Investments is accelerating its efforts in private credit, Bloomberg News reported Thursday. The firm, which is headquartered in São Paulo, has raised $314 million through instruments including its first fund focused on private-credit bets in Latin America, the news service reported, citing Javier Montero, a partner at Patria. About half of the amount that has been raised has already been deployed said Montero. "The opportunity is huge," Montero told Bloomberg News in an interview. "Private credit has been growing exponentially after the 2008 crisis in developed markets, but it's still underrepresented in Latin America," he added. Patria oversees $45.8 billion among various strategies and has closed eight transactions involving private credit, including the telecommunications industry in Argentina, as well as in Colombia's infrastructure sector, the news service reported. Though private credit globally amounts to $1.6 trillion, private-credit investments in Latin America amounted to $4.8 billion as of the end of 2024, the news service reported, citing Lavca, a nonprofit membership organization that supports the growth of private capital investments in Latin America and the Caribbean. Approximately 80 percent of Patria's fund that is dedicated to Latin America is focused on direct lending, according to Patria managing partner Juan Luis Rivera, Bloomberg news reported. In mid-May, Patria announced a new platform, known as Omnia, which will focus on the development, construction and operation of large-scale data centers, powered by renewable energy, in Latin America, news site ESG Today reported May 20.

THE DIALOGUE CONTINUES

How Likely Is a New Railway Across South America?

Q Brazilian and Chinese government officials are in talks for the construction of a railway between the Chinese-built Chancay megaport in Peru to parts of Brazil, Brazilian Planning Minister Simone Tebet said May 9. The project under consideration would stretch to Bahia, on Brazil's Atlantic coast, and also connect to Brazil's West-East Integration Railway, which remains under construction. How likely is a railway between the Port of Chancay and Brazil to be built, and what obstacles stand in the way of its construction? What would a railway mean for Brazil and for China's influence in South America? Which industries would be most affected?

A Peter Sufrin, independent Washington-based analyst: "The current discussions between Brazil and China over funding the proposed railway from Chancay to Bahia resonate not only in South America, but globally as well. With a history dating back to the 19th century, South America had remained open to foreign infrastructure investment, particularly in the form of concession contracts from Western powers such as Great Britain in Argentina (railroads) and Canada in Brazil (tramways). After the transition to government control in Brazil in 1934 with the 'Codigo das Aguas' (The Water Code) and import substitution industrialization in the 1940s and 1950s, investment became more and more state and internationally dominated. Neglected in the 1980s, infrastructure development would eventually revert back to the private sector in the 1990s, and under Lula's initial tenure, the PAC ('Programa de Crescimento Acelerado') sought unsuccessfully to promote infrastructure growth, as a result of endemic regulatory complexity and corruption in the Brazilian polity. Now, Lula is brokering an international power play, with significant geopolitical implications. With the undeniable link between infrastructure development and economic prosperity, the shift to China may pose a challenge to traditional U.S. power politics rooted in the Monroe Doctrine. In a certain way, the issue of the proposed railway embodies the reaction to Western power domination that has historically contributed to underdevelopment in the Latin American region, lucidly highlighted by former Brazilian President Fernando Henrique Cardoso in his seminal work from 1971, 'Dependency and Development in Latin America.' With history—and with Trump—the pivot to China may be understandable."

EDITOR'S NOTE: The comment above is a continuation of the Q&A published in the May 23 issue of the Advisor.

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the possible ahead-of-schedule arrival of talks with little surprise, even suggesting the move could help calm the nerves of investors and consumers. Indeed, Mexico has come out of recent months' upheaval on surer footing than most U.S. trade partners, thanks in part to USMCA protections. That doesn't mean the path ahead will be smooth, and Trump recently hinted the North American pact could face termination. The talks must be seen in the larger context of other U.S. government priority areas, notably China, immigration and security. Mexican President Claudia Sheinbaum, who has had at least seven phone calls with Trump as of May 23, is drawing accolades at home and abroad for calmly weathering Washington's tariff threats, but recent events expose the delicate nature of ties. For example, days after Sheinbaum rebuffed Trump's suggestion to send U.S. troops into Mexico to battle organized crime groups, the United States revoked the visas of a Mexican border-state governor and her spouse—both members of the ruling party. Scant reasons were given, and concerns persist that other high-profile Mexican officials could also see their visas revoked. However, U.S. Secretary of State Marco Rubio has recently praised Mexico's security collaboration. In the months ahead, we should expect this bilateral balancing act to continue."

> **"Mexico has come out of recent months' upheaval on surer footing than most U.S. trade partners..."**
>
> **— Carin Zissis**

Christopher Sands, adjunct lecturer and director of the Hopkins Center for Canadian Studies at the Johns Hopkins University School of Advanced International Studies: "President Trump's multiple tariffs and tariff threats have created a climate of economic instability that inhibits investment in all three USMCA countries and will in time lead to slowing production and unemployment. These consequences are felt more keenly in Canada and Mexico but will become evident in the United States as well, potentially ahead of U.S. midterm elections in 2026. Trump is now so associated with his tariffs, at home and abroad, that he will own the results politically. This is why leaders in all three capitals, including most recently Mexican Economy Minister Marcelo Ebrard, have proposed starting the mandated review of the USMCA early. Canada has an opportunity to advance this idea. As 2025 host of the Group of Seven (G7), Canadian Prime Minister Mark Carney could issue an invitation to Mexican President Claudia Sheinbaum to join other leaders June 15-17 and convene a North American Leaders Summit (NALS) on the sidelines of the G7. It is Canada's turn to host the NALS, and even a brief conversation could allow the leaders to agree to start the USMCA review as soon as possible. Financial markets and investors would respond favorably to the announcement of new talks on the USMCA, but only if there is a mutual tariff moratorium during the review, including a suspension of tariffs imposed by the United States, as well as retaliatory tariffs imposed by Canada. If Carney, Sheinbaum and—most importantly—Trump are looking for an off-ramp from the trade war, it may begin in the G7 host city, Kananaskis, Alberta."

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