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FEATURED Q&A

Will the USMCA Split Into Bilateral Trade Agreements?

U.S. President Donald Trump recently floated the idea of negotiating separate bilateral trade deals with Mexico and Canada instead of renegotiating the USMCA. Cargo ships in the Canadian city of Vancouver are pictured. // File Photo: edb3_16 via Adobe Stock.

Q The United States may negotiate separate trade agreements with Canada and Mexico rather than renegotiating the USMCA trade accord, U.S. President Donald Trump said Oct. 7 during a meeting with Canadian Prime Minister Mark Carney. The USMCA, which Trump signed during his first term as president, is up for renegotiation next year. How likely is the USMCA to be scrapped in favor of bilateral U.S. trade deals with Canada and Mexico, and what would spur such a change? What would such bilateral deals mean for the three countries involved, and what would result from the USMCA no longer being in force? To what extent is trilateral cooperation more or less beneficial than the sum of separate bilateral deals?

A **Rodrigo Abud, managing director of Panorama in Monterrey, Mexico:** "The idea of replacing the USMCA with two bilateral deals is politically tempting but economically shortsighted. Trilateral cooperation, though complex, remains more valuable than the sum of its parts. The United States, Mexico and Canada operate as an integrated platform, not three isolated economies. Undoing that structure would raise transaction costs, fragment supply chains and inject uncertainty into an already tense trade environment. Still, Washington's concerns about Mexico's deepening economic ties to China give this threat credibility. Chinese exports to Mexico have increased to about $130 billion, while Mexican exports to China stood at around $10 billion, creating a substantial trade imbalance. From the U.S. perspective, Mexico must prove it is not serving as a back door for Chinese goods and act to correct that deficit, issues now central to the renegotiation.

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U.S. Strike on Boat in Caribbean Reportedly Leaves Survivors

A U.S. military strike on Thursday on a boat allegedly carrying drugs in the Caribbean left survivors, Reuters reported.

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U.S. Banks in Talks on Loans for Argentina

Several banks including JPMorgan are reportedly in talks with the U.S. Treasury to provide as much as $20 billion in loans to Argentina.

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BUSINESS

Spain's Cox to Invest $3 Billion in Mexico Through 2028

Spain-based power utility company Cox is planning to invest approximately $3 billion on maintenance and expansion in Mexico through the end of 2028, CEO Nacho Moreno said Thursday.

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Moreno // File Photo: Cox.

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POLITICAL NEWS

U.S. Strike on Alleged Drug Boat Reportedly Leaves Survivors

A U.S. military strike Thursday on a boat suspected to have been carrying illegal drugs in the Caribbean left survivors, Reuters reported, citing an unnamed U.S. official. The official offered no additional details about the strike other to say that it was unclear whether the strike had intended to leave survivors. The Pentagon did not immediately respond to a request for comment by Reuters. ABC News also cited an unnamed U.S. official in reporting later on Thursday that an airstrike on a vessel in the Caribbean had left survivors. Such an incident would be the first publicly known attack in which anyone survived since the Trump administration began targeting boats in the Caribbean that it says were carrying illegal drugs. President Donald Trump has announced five such strikes since early September, which have left at least 27 people dead. In the strike that was reported Thursday, it is unclear whether the U.S. military had rendered aid to any survivors and whether they are in military custody, Reuters reported. Also on Thursday, the U.S. Navy admiral who oversees military operations in the Caribbean announced that he will retire in December, the Associated Press reported. Adm. Alvin Holsey became the head of the U.S. Southern Command (Southcom) last November; such postings typically last three or four years, the AP reported. In a statement posted on Southcom's Facebook page, Holsey said it "has been an honor to serve our nation, the American people and support and defend our Constitution for over 37 years." Frustration has been growing among members of Congress over the attacks on vessels in the Caribbean, the AP reported. Some Republican lawmakers have sought more information from the White House on the Trump administration's legal justification for the strikes, and some Democrats have contended that the attacks are in violation of U.S. and international law, the AP reported. On Thursday, Venezuela's ambassador to the United Nations, Samuel Moncada, condemned a U.S. strike that happened on Tuesday, the AP reported. Moncada urged the U.N. Security Council to investigate what he called a "series of assassinations." In a speech to the United Nations, Moncada referred to two fishermen from Trinidad and Tobago who are missing following one of the strikes. "There is a killer prowling the Caribbean," Moncada said, the AP reported. "People from different countries ... are suffering the effects of these massacres," he added. After the first U.S. military strike on an allegedly drug-laden boat in the Caribbean on Sept. 2, Trinidad and Tobago's prime minister, Kamla Persad-Bissessar, praised the attack, saying, "I have no sympathy for traffickers; the U.S. military should kill them all violently," the AP reported. The Trump administration has said it considers drug traffickers combatants and that they must be met with military force, th AP reported. It has not released any proof that any of the vessels hit were carrying illegal drugs. [Editor's note: See related **Q&A** on U.S. airstrikes on alleged drug targets in the Caribbean in Thursday's Advisor.]

ECONOMIC NEWS

U.S. Banks in Talks With Treasury on Loans for Argentina

Several banks including JPMorgan, Bank of America and Citigroup, as well as investment bank Goldman Sachs, are in talks with the U.S. Treasury to provide loans worth as much as $20 billion to Argentina, news website Semafor reported Thursday, citing unnamed sources familiar with the matter. The banks are considering loans backed by Argentine assets, and specific collateral is still to be determined, the sources said. Representatives for the banks and for the U.S. Treasury declined to comment to the news site. U.S. Treasury Secretary Scott Bessent told reporters on Wednesday that the Trump administration plans to unveil a $20 billion financing package for Argentina that would complement a $20 billion curren-

NEWS BRIEFS

Bolivians Set to Usher in Conservative Gov't in Runoff Vote on Sunday

Bolivians head to the polls Sunday in a presidential runoff election between Senator Rodrigo Paz and former President Jorge "Tuto" Quiroga, two right-of-center candidates. Quiroga has been leading polls; an Ipsos survey taken last week showed Quiroga with 55 percent of decided vote share to Paz's 45 percent, with around 10 percent of voters undecided. Whoever wins is set to become the first person since 2002 to be elected president from a party other than former President Evo Morales' left-wing MAS party. Preliminary results from Bolivia's electoral authority are expected by late Sunday evening.

One Person Killed in Widespread Protests in Peru

At least one person was killed in widespread protests in Peru following last week's ouster of President Dina Boluarte and the installation of her successor, José Jerí, the state ombudsman's office announced Thursday, Reuters reported. Dozens of police officers were injured, the office added. Prime Minister Ernesto Álvarez said the government would declare a state of emergency and is preparing measures to address insecurity.

Denmark's CIP Places Bid in Colombia's First-Ever Offshore Wind Auction

A subsidiary of Danish infrastructure firm Copenhagen Infrastructure Partners has submitted a bid in Colombia's first-ever offshore wind auction, Colombian energy regulators announced Thursday. Colombia's government is seeking to award projects with as much as one gigawatt in new power generation capacity, Reuters reported.

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cy-swap arrangement that was finalized earlier this month. Bessent said Oct. 9 that the U.S. government had directly purchased Argentine pesos as part of its support for Argentina and for President Javier Milei, an ally of U.S. President Donald Trump.

BUSINESS NEWS

Spain's Cox to Invest $3 Billion in Mexico Through 2028: CEO

Spanish power utility firm Cox plans to invest approximately $3 billion on maintenance and expansion in Mexico through the end of 2028, CEO Nacho Moreno told analysts and investors in a call on Thursday, Reuters reported. The investment plan announcement came after Cox in July acquired the Mexico-based power assets of Iberdrola, another Spanish utility, in a deal valued at $4.2 billion. After acquiring Iberdrola Mexico, Cox assumed control of 2.5 gigawatts in active generating capacity across six solar plants, three wind farms and six combined-cycle facilities. Iberdrola also had 11.8 gigawatts in new power generation projects that had been in various stages of development at the time of the sale. Cox is considering selling some assets to fund some of its new investments in Mexico, Moreno said on Thursday, Reuters reported. The company said in a statement in July that it would actively consider "co-investing" with state-run CFE on new power generation projects in Mexico. CFE was granted preferential market access in Mexico's landmark constitutional energy reform passed last year by the administration of President Claudia Sheinbaum; this reform played a key role in Iberdrola's decision to sell its assets in Mexico to Cox, Reuters reported. "Grupo Cox's entry into the Mexican energy market should be viewed as a strong vote of confidence in both near-term and mid-term opportunities," Dino Barajas, chair of the Project Finance Practice Group (Americas) at Baker Botts L.L.P., told the weekly Energy Advisor in a **Q&A** published Aug. 15.

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In that sense, Mexico's recent plan to raise tariffs on Chinese imports in its 2026 budget proposal can be read as an early gesture to build rapport with Washington and preempt pressure. One advantage for Washington in pursuing separate deals lies in its ability to exploit different bilateral issues to steer each negotiation toward U.S. interests. Individual talks give the United States more leverage than negotiating with a unified bloc. With elections looming, the administration has every incentive to present the renegotiation as a defense of the national interest—a symbolic win domestically. In the end, whatever the outcome, the United States, Mexico and Canada will all claim victory. Politics rewards perception, even when economics argue otherwise."

Thomas M. Fullerton Jr., professor and Trade in the Americas Chair at the University of Texas at El Paso: "International trade agreements are frequently controversial. Trade pacts involving countries of differing income levels tend to catalyze even more intense debates. Despite good overall economic performance during the NAFTA era, Trump's first administration withdrew the United States from the Trans-Pacific Partnership in January 2017. Fortunately, tremendous private sector pressure finally convinced President Trump to remain in the USMCA successor to NAFTA in 2020. Trade pact doubts still abound now within the White House, and the president believes that the United States does better in bilateral negotiations than it does in multilateral negotiations. That combination may lead the administration to jettison the hemispheric framework provided by the USMCA. Doing so will likely weaken North American economic development and place the region at a disadvantage in ongoing confrontations with China. The USMCA collectively accounts for approximately 30 percent of global economic activity. It allows companies to operate more efficiently by applying common rules and laws with respect to cross-border trade and investment among the three nations. That permits enormous economies of scale and scope to be realized by taking advantage of complementarities that exist between them. China is using its balance of payments surpluses to deploy infrastructure

> **"Trade pact doubts still abound now within the White House..."**
>
> **— Thomas M. Fullerton Jr**

ties as a means for bringing other countries deeper into its economic orbit. Fracturing USMCA in favor of individual bilateral agreements with the two biggest trading partners that the United States has would damage growth in all three countries. It would also leave all three countries in worse negotiating positions with respect to China."

Carlo Dade, director of international policy at the University of Calgary School of Public Policy: "If the current trilateral agreement turns into two separate bilateral agreements, it could lead to already anemic trade growth between Canada and Mexico falling even further. Canadian exports to Mexico have grown about half as fast as exports to the United States, despite positive developments such as both Canada and Mexico being parties to the CPTPP trade agreement, which should theoretically increase trade access to Asian markets and foster the emergence of a true North American railroad in Canadian Pacific-Kansas City Southern. An unrelated major question is whether the United States uses a replacement of a unified trade agreement to strip away other benefits, such as the current exemption from the merchandise processing fee (MPF) charged on all invoices of goods entering the United States. The fee currently

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stands at 0.3464 percent of the value of the invoice per shipment of imported goods (excluding duty, freight and insurance) with a minimum fee of $32.71 and a maximum fee of $634.62 per invoice. The reintroduction of the MPF would be a back-door tariff that could negate the benefits of lower tariffs negotiated under a new agreement, particularly for products where a single invoice cannot be issued for large shipments. This would also remove a quiet hidden competitive advantage for Canadian and Mexican firms over exporters from countries that do not have the MPF exemption, further weakening Canada and Mexico in the U.S. market."

Jon E. Huenemann, member of the Advisor board and former assistant U.S. trade representative: "The United States will seek to maximize its leverage to advance its primary objectives, and those objectives are quite different with both Mexico and Canada. Moreover, it will take into account whether its leverage would be most enhanced through a trilateral deal or on a bilateral, issue-by-issue basis. Lastly, a wild card is the propensity of the administration to utilize 'trade' negotiations as a tool to address issues outside the purview of the policy measures pertaining to trade and investment flows. Within the purview of traditional trade and investment issues, a complete abandonment of the USMCA obligations is unnecessary. In addition, a more fully reciprocal North American market is within reach, and there may even be more that can be accomplished beyond the traditional trade agenda. The administration believes there is an opportunity to build an even more U.S.-centric North American economic actor on the global stage, and that is the way in which a reasonable semblance of the USMCA can survive. Canada and Mexico, as the largest respective trading partners of the United States, are not without leverage. That said, Canada and Mexico's economies face the reality of a United States that is essentially 10 times their combined nominal GDP size wherein open hostility to the U.S. goals is not sustainable. Playing their cards just right is at a premium."

Nicolás Mariscal, member of the Advisor board and chairman of Grupo Marhnos in Mexico City: "The USMCA has been an extremely successful free trade agreement. All three countries of the North American region have benefited enormously, although there are certainly downsides that need to be addressed. Nevertheless, what we need is a deeper arrangement, not a shallower one. The idea behind the USMCA is straightforward: a more integrated North American region. More integration means more competitiveness, as all three countries could pool resources and attract more investments. It also means more security and resilience, as we would be able to create a region that is more independent in terms of energy, supply chains and unfair trade practices. It wouldn't be the end of the world if we reached bilateral agreements, but it would certainly be the end of the region in the terms described above. Negotiations would extend, and both Mexico and Canada would be at a disadvantage when negotiating with the world's largest economy. There would be more uncertainty, and it would represent a step backwards for multilateralism. As all three countries face increased international competition—notably from China—it is in the interest of all parties to strengthen the USMCA. This is the most secure way to deliver prosperity to our citizens and a better future to all."

The Advisor welcomes comments on its Q&A section. Readers can write editor Gene Kuleta.

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