

Update on the USMCA Negotiations Following July 1 Deadline

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The July 1 deadline for deciding whether to renew the United States-Mexico-Canada Agreement (USMCA) has come and gone. The United States opted to enter a series of annual negotiations that could go on for up to 10 years rather than renew the current agreement as now implemented. Also under consideration is the possibility of the U.S. providing six months' advance notice of its intent to terminate the agreement.

Given the importance of an integrated North American market to all three governments and the large number of companies that rely on the USMCA for their supply chains and production, termination remains unlikely at this stage. Even if notice were provided, the six-month period would allow for negotiations to continue before any termination would take effect.

USMCA negotiations remain ongoing. The United States and Mexico are scheduled to meet during the week of July 20, and it remains to be seen whether the conclusion of that round of discussions will be accompanied by an announcement of additional bilateral or trilateral talks that include Canada. As of now, a meeting between U.S. and Canadian negotiators has not been scheduled.

At present, the negotiations can be broken into four general categories:

- The first has been termed the “hardy perennials.”¹ These are recurring issues that have characterized North American trade discussions for decades, including, among others, U.S. concerns about Canadian support for its dairy industry and Canadian pharmaceutical pricing, U.S. farmers' views on imports of agricultural products from Mexico and Canadian concerns over U.S. treatment of lumber and steel imports.
- The second category centers on automotive vehicles in general, and the amount of U.S. value added in particular. The U.S. continues to press for increased vehicle and parts production in the United States.
- The third category, related to the automotive issue, is the broader question of Chinese ownership and Chinese value added for production in the North American market and the supply chain for North American goods. The U.S. has sought commitments from its trade partners not only to limit Chinese input into goods destined for the United States, but also to structure their own bilateral relationships with China in a manner that does not increase Chinese economic or political influence.
- The fourth category involves the broader trade-policy environment, which may affect both the timing and the durability of any negotiated outcomes, particularly while other country-specific and sector-specific trade matters remain pending.

The issues currently shaping the USMCA renewal process are familiar in some respects and evolving in others. As negotiations continue, companies with North American operations or supply

chains should monitor both longstanding trade issues and broader policy developments that could affect sourcing, production and compliance planning.

¹ Moniker given by Kellie Meiman Hock, Adjunct Professor, Georgetown University; Board Member, Inter-American Dialogue; former Director of Brazil and the Southern Cone, Office of the United States Trade Representative.