

The Rapid Response Mechanism (RRM) and the Review of the USMCA in 2026¹

Juan Carlos Moreno-Brid and Fernando Ricalde-Zamora

The United States' current administration has introduced uncertainty as a structural component of governance in its international relations, including those related to the USMCA's present and future. A key issue is whether in its renegotiation -due to start in mid-2026- United States' increasingly national approach to trade and FDI policies will supersede any regional commitments and common concerns. In this regard, the RRM can either be an instrument to foster stronger regional competitiveness and development based on labor rights and rule-based integration, or as a one more tool to raise trade protection in the US against imports from its neighbors and USMCA partners: Canada and Mexico. The RRM's future is thus marked by the overall -regional vs national- path that the USMCA will be taking in the second half of 2026. This path is to be determined by tri-lateral negotiations under conditions of heightened uncertainty, trade conflict and a rise of neo-protectionism. These dynamics suggest that, if the USMCA is revamped to be more closely aligned with Trump's MAGA view, the RRM will, in practice, play a larger role in the enforcement of protectionist objectives, even if publicly framed as a tool to enforce labor-rights in Mexico and Canada.

The USMCA was designed to make uncertainty endogenous. Its sunset clause mandates its review beginning in July 2026 and established its renewal or termination by 2036, with periodical reviews if an extension is not agreed upon at the outset. What might have been framed as an opportunity to adapt it to evolving realities becomes a threat in a context where the United States is actively stirring political waters through volatile tariff threats and other protectionist measures backed by decrees or "executive action and "national security" backed rationales. It was already noted under the Biden administration that the review process of the USMCA was a way to maintain Mexico and Canada with "a certain level of discomfort" that could be "a feature, not a bug" (Brookings Institution 2024). In a cooperative regional environment, such a design might encourage updating and institutional learning. In a confrontational one, it serves as a permanent instrument of bargaining power.

The opportunity to adapt the USMCA to favor the region's competitiveness and overall economic dynamism is severely undermined by the protectionist US protectionist insistence on achieving bilateral trade surpluses through tariff increases and other restrictive measures (See Blecker et al. 2025; and Ortiz-Mena and Marroquín Bitar 2025). This insistence creates a profound tension between the need of stable rules-based framework and the lived reality of unilateral policy volatility. This volatility matters acutely for Mexico's economic prospects as its manufacturing or is deeply intertwined with U.S.-centered value chains, and its growth is heavily conditioned by U.S. demand (Blecker 2022; Ibarra and Blecker 2016). When United States' tariffs from any country -including those in the USMCA- can be unilaterally and abruptly raised on "national

¹ This work builds heavily on the authors' previous work on the subject with Robert Blecker and Edgar Pérez Medina (Blecker et al. 2025), from which several arguments and formulations are adapted and updated.

security” grounds, undermines Mexico’s privileged position as a special, long-term export platform for North America is severely undermined.²

This situation contrasts with the optimistic outlook for the USMCA since the pandemic’s effects interruption of international commerce and the China-US trade disputes led to prioritize resilience cum political affinity. These changes, a priori, would induce foreign direct investors to move plants to Mexico to export to the US and Canada. Mexico’s hope for such nearshoring was seen as perfectly compatible with the USMCA, to make the whole region more competitive (Berasaluce 2024; Curzio 2024; Fernández and Bravo 2023; Meltzer and Coulibaly 2024). Yet the Trump’s administration policy shift increasingly favors reshoring, pulling manufacturing plants to the United States with virtually no concern of USMCA related trilateral complementarities. As we argued in Blecker et al. (2025), the strategy is to attract or force investment and production lines back into U.S. territory, independently of regional complementarities. This view consequently leads the US administration to portray Mexico -and for that matter Canada, too- as a threat rather than a partner. Mexico, even more given that it runs trade surpluses with the United States. In this political context, it is likely that the RRM will tend to be applied much more as a US trade protection tool against Mexican manufacturers, and not to improve workers right in the whole region.

The review process, formally beginning in 2026, is expected to be contentious and, at least from the US perspective to lack a common regional spirit and focus instead on national interests. It is our view, as in Blecker et al (2025), that this process will be marked by a U.S. contentious approach to impose deep changes seen as pro-United States. The likely agenda includes disputes over tariffs and exemptions, stricter regional content rules (with, perhaps, additional regulation on content of US products), special automotive rules of origin, non-tariff barriers, government purchases, and measures aimed at Chinese competition, state/firm disputes, electric vehicles and content restrictions (Meltzer and Coulibaly 2024; Trew et al. 2024). The energy agenda may also be affected, particularly given U.S. policy reversals away from clean energy and the possibility of pressure to privilege fossil fuels (Blecker et al. 2025). In addition, there is a serious risk that trade negotiations become entangled with non-trade issues such as migration, border disputes on water allocation of certain rivers, and even aspects related to PEMEX and CFE’ privileged positions as SOEs, drug trafficking, and organized crime, framed as “US national security” concerns.

The longer the negotiation process takes, the greater the uncertainty about its future and thus the greater its adverse impact on investment decisions in the region, increasing the risk premium associated with Mexico as a reliable privileged export platform. This uncertainty may harm Mexico more than the United States, given Mexican exports deeper dependence on stable preferential access (Crowley and Ciuriak 2018; Ciuriak 2019; Ibarra and Blecker 2016). Another structural problem is Trump’s willingness to disregard international commitments, including those he negotiated. (Blecker et al. 2025).

From Mexico’s standpoint, an urgent priority should be to secure a stable legal framework under which USMCA-compliant exports enter the United States at zero tariff, non-compliant exports

² Baldwin (2025) characterizes this as a “hacking” of the global trading system, one that damages U.S. credibility and imposes disproportionate risks on countries whose production structure is tightly integrated with U.S. manufacturing.

face Most Favored Nation tariffs, and any increases in regional content requirements do not grant the United States any additional advantage vis-à-vis the other two partners (Blecker et al. 2025). Mexico must also seek relief from the new tariffs imposed by the United States since early 2025 and secure credible assurances, to the extent possible, against further unilateral tariff escalation. On the RRM the priority should be to guarantee its neutral application on the three countries to improve workers' rights in the region, and not as an instrument of US trade protectionism. Unfortunately for Mexico, the economic and political power is heavily unbalanced in favor of the US. and to reshape enforcement instruments such as the RRM in a more reciprocal direction.

The above-mentioned imbalances and uncertainties about the renegotiation's outcome affect too how enforcement tools inside the USMCA are likely to be deployed, including the Rapid Response Mechanism. As it stands, the RRM provides an avenue for initiating cases based on evidence that workers' rights are being denied at a specific facility in Mexico, (Office of the United States Trade Representative, 2024). In the past it has served to align labor rights with a legitimate integration project, and it was used to promote union's much more democratic representation (Blecker and Anker 2025; Office of the United States Trade Representative 2024). Mexico's concern is, agreeing that labor rights are important, the RRM may function less as rights promotion and more a politically legible gateway to unilaterally restricting Mexican exports to the US. The goal for Mexico should be that the RRM evolves toward institutionalized rights protection away from its application as episodic leverage within a protectionist trade strategy, and in connection with broader measures such as restrictions on say products from plants with wages far below the US ones, or having ties to China (North America Compass 2025; Blecker et al. 2025). The mechanism's facility-specific design makes it particularly flexible: it can be framed as targeted labor-rights enforcement while generating broader deterrent effects across supply chains.

Given the conspicuously asymmetric political and economic power of the United States vis-à-vis Mexico, and given the role the USMCA plays in both countries' development agendas, it is unlikely that the Mexican government will have meaningful leverage in the renegotiation to restrict the RRM in any significant measure. Even worse, it is also unlikely that it can successfully demand a symmetric mechanism to be deployed against U.S. facilities to protect workers there in any way that raises U.S. unit labor costs or constrains U.S. manufacturers access to Mexico's domestic market. In any case, the RRM's evolution cannot be separated from whether the USMCA is reshaped to strengthen regional competitiveness and stable integration, or instead becomes a platform for coercive managed trade. In a context where the agreement's credibility is weakened, where tariff policy is volatile, and where non-trade issues are increasingly linked to the USMCA, it is not difficult to envision the RRM primarily functioning according to the broader protectionist objectives of the U.S. administration.

Having taken into account its defects and limitations for Mexico's long-run development, the USMCA provides a supranational legal and regulatory framework that can facilitate trade and investment among the member countries. In principle, it has the potential to support a regional entity conducive to growth and development, but only if a spirit of trilateral cooperation prevails (Blecker et al. 2025; Trew et al. 2024). If the dominant U.S. view remains zero-sum, and if US-reshoring takes priority over regional complementarity, then even a renewed agreement may not deliver a valuable, stable platform for Mexico's development.

Mexico therefore faces a dual task. In the short term, it must mobilize diplomatic talent and domestic and international stakeholders to secure the best feasible outcome in the review, especially reducing tariff uncertainty and defending a rules-based framework that preserves preferential access for compliant exports (Blecker et al. 2025). It must also consider strategies to coordinate with Canada where feasible to defend regional interests rather than a purely bilateral bargaining stance (Trew et al. 2024). Yet Mexico's leverage remains limited, and the credibility of U.S. commitments remains a central risk.

In the medium to long term, Mexico has an obligation to look beyond the USMCA and rethink its development agenda and way of insertion into the global economy. This does not mean treating termination as desirable. As emphasized in Blecker et al. 2025, a sudden rupture would be catastrophic in the short run because Mexico's export orientation and production structure are locked into North American integration (Moreno-Brid and Ros 2009; Blecker 2022). Rather, the strategic imperative is to broaden the policy toolkit: strengthen domestic productive capabilities by prioritizing backward and forward linkages, upgrade infrastructure and skills, expand development finance capacity, and implement a modern industrial policy aimed at innovation, value-added generation, and inclusive growth (Moreno-Brid et al. 2005, 2013, 2016; Juhász et al. 2024; Moreno-Brid and Pérez-Medina 2024). Diversifying trade and investment relationships is also essential so that Mexico's development prospects are not hostage to the shifting logic of U.S. trade politics.

Ultimately, the question is not only whether the USMCA continues, but what kind of agreement it becomes. If it evolves toward a stable framework that supports (and hopefully promotes) regional competitiveness and investment, the RRM can plausibly remain closer to its stated purpose as a labor-rights enforcement mechanism. If the agreement hardens into managed trade under neo-protectionism, the RRM is more likely to be deployed frequently as part of a broader enforcement posture that can align with protectionist objectives. Under either trajectory, the asymmetric structure of power will condition Mexico's room for maneuver. The most durable response is therefore to reduce vulnerability by strengthening domestic development fundamentals, while navigating the review with a clear-eyed understanding of uncertainty, credibility, and bargaining asymmetry.

References

Baldwin, R. (2025). *The Great Trade Hack: How Trump's Trade War Fails and the World Moves On*. CEPR Press.

Blecker, R. A., Moreno-Brid, J. C., Pérez-Medina, J. C., & Ricalde-Zamora, F. (2025). The USMCA Review and the Mexican Economy: Between Renegotiation and Limbo. *Latin American Policy*, 16(4), 1–12.

Berasaluce, J. (2024). *Nearshoring en el Marco de la Experiencia Industrial de Asia del Este. Lecciones para México*. UNAM, Instituto de Investigaciones Jurídicas.

Blecker, R. A. (2022). Mexico: Unequal Integration and ‘Stabilizing Stagnation.’ In *Handbook of Economic Stagnation*. Academic Press/Elsevier.

Blecker, R. A., & Ankner, W. J. (2025). United States–Mexico–Canada Agreement (USMCA): Origins and First Years. In *The New Palgrave Dictionary of Economics*. Palgrave Macmillan.

Brookings Institution. (2024). *USMCA Forward 2024 Launch Event: A Conversation with USTR Katherine Tai* (Video, March 6).

Ciuriak, D. (2019). From NAFTA to USMCA and the Evolution of US Trade Policy. C.D. Howe Institute.

Crowley, M., & Ciuriak, D. (2018). *Weaponizing Uncertainty*. C.D. Howe Institute.

Curzio, L. (2024). *Nearshoring: ¿Vocación u Oportunidad?* UNAM, Instituto de Investigaciones Jurídicas.

Fernández, A., & Bravo, E. (2023). Potential of Nearshoring for Mexico’s Economic Development. *Región Científica*, 2(2), 2023105.

Ibarra, C. A., & Blecker, R. A. (2016). Structural Change, the Real Exchange Rate and the Balance of Payments in Mexico, 1960–2012. *Cambridge Journal of Economics*, 40(2), 507–539.

Ibarra, C. A., & Ros, J. (2019). Profitability and Capital Accumulation in Mexico. *International Review of Applied Economics*, 33(3), 426–452.

Meltzer, J. P., & Coulibaly, B. S. (Eds.). (2024). *USMCA Forward 2024: Gearing Up for a Successful Review in 2026*. Brookings Institution.

Moreno-Brid, J. C. (1998). On Capital Flows and the Balance-of-Payments-Constrained Growth Model. *Journal of Post Keynesian Economics*, 21(2), 283–298.

Moreno-Brid, J. C., & Pérez-Medina, E. (2024). La importancia estratégica de la infraestructura en el desarrollo sostenible. In *Nearshoring: La Oportunidad de un Nuevo Desarrollo Económico y Social para México*. UNAM, IJJ.

Moreno-Brid, J. C., & Ros, J. (2009). *Development and Growth in the Mexican Economy: A Historical Perspective*. Oxford University Press.

Moreno-Brid, J. C., Santamaría, J., & Rivas Valdivia, J. C. (2005). Industrialization and Economic Growth in Mexico After NAFTA. *Development and Change*, 36(6), 1095–1119.

Moreno-Brid, J. C. (2013). Industrial Policy: A Missing Link in Mexico’s Quest for Export-Led Growth. *Latin American Policy*, 4(2), 216–237.

North America Compass. (2025). USMCA Review 2026: What Will Be on the Table: Disputes, Demands, and Deal-Breakers. (October 6).

Office of the United States Trade Representative. (2024). The USMCA Rapid Response Mechanism Delivers for Workers. Fact Sheet.

Ortiz-Mena, A., & Marroquín Bitar, D. (2025). How U.S. Tariffs Are Rewiring Latin American Trade. *Americas Quarterly* (June 16).

Trew, S., Archer, S., DiCaro, A., et al. (2024). Making the Most of the CUSMA Review. Canadian Centre for Policy Alternatives.

United States–Mexico–Canada Agreement (USMCA) Sunset Clause and Review and Term Extension. (Undersecretary for North America document excerpt