



Given ongoing global geopolitical shifts, a continuous focus on North American competitiveness remains crucial for US national security. (UBS)

The Mexico-US relationship may bend, but never break

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Every 12 years, the presidential elections in the US and Mexico coincide. These simultaneous transitions can introduce uncertainty and require adjustments in their bilateral relation. Despite the challenges that may arise in the near term, we believe a cooperative stance between both countries will eventually prevail.

In our latest [Investing in Mexico](#), we explored the future of US-Mexico relations, particularly in areas such as trade and immigration. To stress test our analysis, we also had a conversation with Lila Abed, Director of the Mexico Institute at the Wilson Center in our LatAm Access podcast (in Spanish, available on [Apple Podcasts](#) and [Spotify](#)). She agreed that the deep interconnection between both economies means that disengagement is not an option.

Given ongoing global geopolitical shifts, a continuous focus on North American competitiveness remains crucial for US national security. As Washington seeks to reduce its reliance on China, Mexico's role in US industrial policy becomes increasingly important.

That said, the upcoming 2026 review of the USMCA could become contentious, with disputes likely to arise on several key issues. The US may push for stricter rules of origin, while Mexico's energy policies and its decree to ban genetically modified corn imports are sticking points that could strain relations. Additionally, Mexico's proposed constitutional reforms may clash with USMCA commitments.

China's growing influence in global trade is a bipartisan concern in Washington. Fears that China might be using Mexico to bypass US tariffs have led Mexico to align with US interests by imposing substantial tariffs on Chinese imports. Still, to remain a trusted trade partner, Mexico needs to develop a policy strategy with China that does not jeopardize its relationship with its primary trade partner, the US.

The outcome of the US elections will also affect trade dynamics. A Trump victory would likely trigger more uncertainty for Mexico, potentially leading to the imposition of tariffs and a volatile peso. However, we believe Trump would enforce the USMCA aggressively rather than withdraw from it.

A Harris administration would, in turn, likely result in a more predictable and stable trade relationship. While tensions around labor and environmental issues would exist, the overall stance is expected to be collaborative.

Immigration will likely remain another central issue in US-Mexico relations. A Republican victory could result in stricter immigration policies, including the construction of physical barriers and more aggressive deportation measures, potentially reducing remittance flows to Mexico, a vital component of its economy. While we would expect a Democratic administration to also tighten immigration policies, the approach would likely be less severe.

As the US presidential race intensifies and uncertainty surrounds the approval of Mexico's proposed constitutional reforms, volatility in Mexican assets is expected to remain high through November. We believe a more favorable risk-reward scenario will emerge by year-end.

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