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World Cup Diplomacy: The Real Kick-Off to USMCA

Claudia Sheinbaum's first official trip to Washington had all the markings of a soft diplomatic debut: flags kept in the closet, the World Cup draw as the nominal occasion, and just enough official smiles to steady the markets. But behind the curtain, it was anything but ceremonial. Her closed-door meeting with Donald Trump and Canadian Prime Minister Mark Carney marked the *de facto* launch of negotiations that could define North America's next economic chapter.

All three leaders praised the meeting as "excellent" and "productive", the kind of language that often means either nothing happened or everything remains up for grabs. Before the meeting, Trump revived an old favorite of his: the threat to let USMCA expire unless it is "rebalanced." Sheinbaum politely corrected him, noting that the treaty doesn't expire in 2026, it simply enters its review phase. "Don't take every statement literally", she advised later, managing to sound both reassuring and mildly exasperated, with months of tensions starting to show the toll they've taken.

Still, Sheinbaum insisted that her box-seat chat with Donald Trump and Mark Carney was all about football: team rankings, draw logistics, and Trump's apparent surprise that some teams were actually good. "Everything was about the draw," she clarified, downplaying any political subtext, and attempting to manage expectations. Hockey made a brief cameo too, with Carney and Trump bonding over it while Sheinbaum sat politely out of her depth. Later, in a private meeting away from the cameras, the conversation reportedly did in fact shift to trade and regional cooperation. Sheinbaum framed Trump's cordial tone as a diplomatic nod to the Mexican presidency, not to her personally.

There were no big announcements, just a promise to keep talking. But context matters. The meeting coincided with a series of congressional hearings and private briefings on USMCA's upcoming review. A report from the U.S. Trade Representative is due in January, right after the holidays, and just before formal negotiations can begin. While the hearings featured everything from lobster tariffs to labor rights in Mexico, the underlying message was clear: the U.S. is gearing up to set the terms early, explicitly and loudly, if not forcefully.

Meanwhile, any idea of a Canada-Mexico alliance to counterbalance Washington's influence remains more aspiration than strategy. As Duncan Wood puts it, both countries talk the talk of "strategic partnership" but fall short when it comes to walking together. During the last USMCA negotiation, Trump's team simply split them up, negotiated separately, and reconvened at the finish line. Faced with pressure, both Ottawa and Mexico City did what they always do: look to Washington first, and to each other only when convenient, with the U.S. economic gravitational pull simply too strong to ignore.

The trade narrative took another turn after Donald Trump threatened a 5% tariff on Mexican exports over a water dispute which most analysts brushed off as a more Trump rhetoric. In a statement, he accused Mexico of violating the 1944 Water Treaty by failing to deliver over 800,000 acre-feet of water owed to U.S. farmers, particularly in Texas. He demanded the immediate release of 200,000 acre-feet by December 31 or face tariff consequences. The warning serves as a reminder of the volatility the negotiations will face, and adds a fresh layer of pressure just as Mexico prepares to pass its sweeping tariff reform, turning a domestic trade shift into a potentially broader bilateral clash.

That said, Trump himself is facing increasing political pressures over affordability and cost of living pressures in the U.S. Tariffs have made that worse, contributing to a stubbornly high U.S. inflation around 3%, one reason Trump has backtracked on so many since “Liberation Day”. His tariff threats are thus carrying less and less weight as observers have worked out the political costs to him carrying through on them. Mexico, now America’s largest trade partner for exports and imports and key to U.S. competitiveness, has some cards after all.

Tariffs, Geography and the Art of Picking Sides

Mexico is poised to enact one of its most assertive trade interventions in decades: a sweeping tariff hike on over 1,400 product lines from countries lacking trade agreements, rather clearly targeting Asian imports. The official rationale is industrial defense, correcting unfair trade practices, and bolstering domestic manufacturing. Beneath that, the geopolitics are hard to ignore: growing pressure from Washington to stem the flow of Chinese goods into North America via Mexican ports, and the looming 2026 USMCA review.

Momentum behind the measure surged after President Sheinbaum ordered legislators to push the reform through by year’s end. With Morena’s legislative majority, its passage is all but guaranteed, with only modest carve-outs for sectors like steel and auto parts. On top of ideology, the reform has fiscal appeal: Mexico’s Treasury estimates nearly $3.8 billion in additional revenue in 2026, offering a timely buffer as public spending tightens.

Yesterday, the reform cleared a key hurdle in the lower house’s Economic Affairs Committee, passing with ten votes in favor, one against, and eight abstentions. The proposal, based on Sheinbaum’s presidential initiative, was modified by nearly 60% during deliberations. The aim, according to committee chair Miguel Ángel Salim (PAN), was to provide greater market certainty and fairer conditions for domestic industries vulnerable to distorted global competition, particularly in textiles, steel, plastics, and automotive components.

Today, the full Chamber of Deputies is expected to vote. In total, 1,463 tariff lines are slated for adjustment: 706 in textiles alone, followed by 249 in iron and steel, 94 in automotive parts, and 81 in plastics. Officials say 316 of these lines are currently tariff-free, while others already carry duties of 10% or 35%. Following consultations with the Economy Ministry, 391 lines will retain their original tariffs. Of the remaining 1,072, most involve imports worth under $1.5 million annually, or come from countries with existing trade agreements, both factors cited to downplay any potential disruption.

Industry reaction remains wary. Auto manufacturers point to hard-to-replace components, while electronics and appliance firms warn of cost hikes and delays. Consumer advocates are bracing for price increases, though the government insists the effects will be modest. The 30-day implementation window has added to the sense of urgency—and unease.

Diplomatically, the move reopens an uncomfortable triangle. Beijing has called the proposal coercive. Sheinbaum, treading carefully, insists the tariffs are broadly applied, and that Mexico "seeks conflict with no one." A delegation is en route to Beijing to clarify. In Washington, the reception is warmer. Trump praised the shift, and his trade team has already signaled that enforcement, not words, will guide U.S. expectations in the upcoming trade talks.

Transformation, with Transportation: Sheinbaum Packs the Zócalo Again

Seven years after Morena's first takeover of the Zócalo, the ruling party was back, this time to mark continuity, not just legacy. President Sheinbaum took the stage before a packed Zócalo and claimed a turnout of over 600,000. The opposition quickly countered, calling it an orchestrated display rather than an organic one, pointing to buses, banners, and box lunches.

Sticking to the classics, Sheinbaum repeatedly invoked the legacy of former President Andrés Manuel López Obrador, positioning him as the architect of the Fourth Transformation and a moral compass for the current administration. She described 2018 as a turning point when "the people made a wise and brave decision" by electing López Obrador, framing his government as the moment Mexico broke from oligarchic control. She credited him with foundational achievements: reducing poverty, defending national sovereignty, and reestablishing a state that serves "all, but especially those who need it most."

She also used her Zócalo address to frame Mexico's economic momentum as validation of the Fourth Transformation's core model—state-led, socially rooted, and fiscally disciplined. She highlighted record-high foreign direct investment ($40 billion in Q3 2025), a strong peso, and low inflation as evidence that "the model works." Notably, she challenged old orthodoxies by pointing out that rising wages (particularly the 154% increase in the minimum wage since 2018) had not deterred investment or triggered instability, but instead coincided with job growth and investor confidence.

While she avoided overt references to public-private partnerships, the substance of her remarks pointed to an investment strategy that relies, at least implicitly, on private capital. Large-scale infrastructure projects like combined-cycle power plants, new rail corridors, and social housing schemes suggest ongoing coordination with the private sector, albeit under tighter public terms. The message was clear: Mexico remains open for investment, but not for the kind of deregulated deals associated with previous regimes.

Contact:
Laura Camacho
Executive Director Miranda Public Affairs
laura.camacho@miranda-partners.com

Gilberto García
Partner and Head of Intelligence
gilberto.garcia@miranda-partners.com