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Canada walks, Mexico waits

The collapse of trade talks between Washington and Ottawa late on 21 August means the prospects for a straightforward trilateral extension of USMCA – already in trouble after the US's decision to move to annual reviews - have clearly dimmed further.

Until last week, optimists hope the three countries would negotiate their differences separately and then put the North American trade framework back together. That now looks considerably harder, even if of course under Trump almost anything is possible. The latest reverse to USMCA comes after United States and Canada appeared close to a bilateral agreement, only for negotiations to collapse in their final hours. By the next morning, the United States had imposed the previously announced 50 per cent tariff on roughly US\$20 billion of Canadian imports, equivalent to about 5 per cent of everything Canada sells south of the border, while leaving in place the existing 25 per cent tariff on the non-US content of Canadian vehicles and 50 per cent tariffs on steel and aluminium. The aborted deal had been expected to reduce those sectoral tariffs, including cutting metals tariffs roughly in half and lowering the automotive levy.

Importantly for Mexico, the new tariffs apply to products that comply with USMCA rules of origin. Washington had already established that principle with cars, steel and aluminium tariffs, but extending it to another group of products reinforces that compliance with the treaty no longer guarantees that the treaty provisions on zero tariffs will be respected.

President Trump has since threatened to raise tariffs on all Canadian cars, trucks, automotive parts and steel to 50 per cent from 1 January. Prime Minister Mark Carney responded that Canada was “at war” over trade and pledged dollar-for-dollar retaliation against US products. Canada's countermeasures, expected to focus on steel, dairy, appliances, agricultural equipment, paper and electronics, are to be announced shortly, and due to take effect on 8 September.

For Mexico, the immediate implication is greater uncertainty over what exactly will replace the USMCA as the framework for North American trade. A renewed trilateral agreement remains possible, and it would be premature to conclude that the US and Canada have permanently left the negotiating process. Trump has left more than four months before the threatened automotive tariffs take effect, giving Washington and Ottawa plenty of time to return to the table.

But the probability of a relatively clean three-country renewal has clearly fallen. One possible outcome is that Mexico instead secures a preferential bilateral understanding with Washington while the US-Canada dispute continues. Mexico could therefore emerge, at least temporarily, in a better relative position than Canada.

That would be good news, but only up to a point. The value of signing a trade agreement with Washington as a signal to investors has also declined if the United States increasingly reserves the right to ignore the agreement when it chooses. Canadian negotiators reportedly sought assurances that any new deal could not simply be overridden by subsequent US tariff measures. Washington refused, maintaining the right to alter tariff policy irrespective of what had been agreed. As Carney put it, sometimes the US signature is “written in pencil”.

The Canadian negotiations also offer clues about what Washington could demand from Mexico.

One of the final sticking points involved medium- and heavy-duty vehicles. Commerce Secretary Howard Lutnick reportedly insisted that tariff relief offered to Canadian passenger cars should not extend to heavy trucks. Canada rejected that because of the importance of plants producing vehicles such as Ford’s F-Series Super Duty.

Further was Washington’s demand that Canada align aspects of its trade policy towards third countries with that of the United States. US negotiators reportedly wanted Ottawa to apply US tariffs on foreign steel and to follow future changes in US tariff policy, even where Canada had existing trade agreements with the affected countries.

A similar demand on Mexico would effectively require Mexico to surrender part of its ability to set an independent tariff policy towards China and other countries in exchange for preferential access to the United States. Mexico has already moved closer to Washington by raising tariffs on many imports from countries with which it does not have free-trade agreements. But automatically following future US tariffs on steel, aluminium or other strategic products would be a larger concession, though unlike for Canada, likely one Mexico could live with.

The breakdown of how the Canadian negotiations broke down also sends some messages to Mexico. US Trade Representative Jamieson Greer said Washington had been prepared to reduce tariffs on Canadian steel, aluminium and automobiles and eliminate a tariff on lumber. Canadian officials believed they were approaching an agreement. But Lutnick, whose Commerce Department controls the Section 232 tariffs on cars, steel and aluminium, subsequently took a harder position, particularly on autos and heavy trucks.

Greer appears focused on reaching negotiated trade arrangements. Lutnick has been much more explicit about using tariffs to move industrial production into the United States. The two officials may ultimately be implementing the same Trump policy, but differences over tactics and acceptable outcomes can make an already unpredictable negotiating process even harder to navigate. Mexico may find that an understanding reached with one part of the administration does not necessarily settle issues controlled by another.

The biggest problem is probably autos. North America's automotive industry was constructed around trilateral rather than bilateral integration. Parts can cross the Mexican, US and Canadian borders several times before a finished vehicle leaves the factory. If Canada becomes structurally disadvantaged by tariffs, those supply chains cannot simply be divided neatly into separate US-Mexico and US-Canada systems.

Some production could migrate from Canada to Mexico, creating opportunities for Mexican factories. But a prolonged US-Canada automotive conflict would also undermine the economics of the integrated supply chains on which Mexican plants depend. A 50 per cent US tariff on Canadian vehicles and parts, particularly if accompanied by changes to rebates for US content, would therefore be a problem for Mexico even if Mexican exports themselves retained more favourable treatment.

Still, relative now to Canada and the rest of the world, Mexican factories enjoy an advantage, excluding products affected by Section 232 tariffs. Economy Minister Marcelo Ebrard estimates that around 85 per cent of Mexican exports continue to enter the United States duty-free under the USMCA. Mexico's issue-by-issue negotiating strategy, combined with its decision not to retaliate against US tariffs, has so far produced a better outcome than Canada's more confrontational approach.

President Claudia Sheinbaum reinforced that message in her 24 August *mañanera*, saying she does not expect the US-Canada dispute to affect Mexico's negotiations and remains optimistic about reaching an agreement with Washington. Mexico still faces 50 per cent tariffs on steel and aluminium, 25 per cent tariffs on vehicles and a 10 per cent levy on goods outside the USMCA, but Sheinbaum said her government has spent more than a year working to reduce them. Another round of bilateral US-Mexico talks is expected in September.

Mexico has also deliberately broadened the relationship beyond trade. At the DEA's international drug control conference in Buenos Aires from 18 to 20 August, federal security chief Omar García Harfuch highlighted the administration's security record, including 63,500 high-impact arrests, almost 33,000 firearms seized and 518 tonnes of drugs confiscated since October 2024. Security cooperation gives Mexico leverage on an issue that is politically important to the White House.

There is even a possible upside to Canada's breakdown. With one North American negotiation having failed so publicly, Washington may feel greater pressure to demonstrate that its trade strategy can produce agreements, and avoid tariff-related price increases. Mexico is the obvious candidate. The US and Mexico have already made progress over several rounds of discussions, while the Sheinbaum government has avoided the retaliatory cycle now developing between Washington and Ottawa.

The breakdown with Canada therefore leaves Mexico in an unusual position. Its relative negotiating position has improved, and a preferential bilateral agreement with Washington has become more plausible. At the same time, the chances of preserving the trilateral framework on which many Mexican industries, particularly autos, were built have deteriorated.

There is still time for Washington and Ottawa to return to negotiations, and Mexico says its own discussions with the United States continue to progress well. It is therefore premature to write the obituary of the USMCA. But after the events of the past week, its future looks less obviously trilateral, and the existence of a treaty alone looks less reassuring than it once did.

On leave again, indefinitely this time

Rubén Rocha Moya has asked Sinaloa's Congress for a leave of absence twice in four months. The second request, after an extraordinary 36-hour attempt to return as governor, looks for good, unlike the first request.

For Claudia Sheinbaum, what initially threatened to become an awkward challenge to her authority ended as something closer to a political victory. Rocha returned without her blessing, discovered that virtually nobody in Morena was prepared to defend him, and was forced back out of office within two days. The episode leaves Sheinbaum looking stronger within her party than she did when Rocha first stepped aside in May.

That does not settle the more question of whether the crisis should have been allowed to develop in the first place. Critics will argue that Sheinbaum could have avoided the confrontation by moving more aggressively against Rocha after US indictments against the sitting governor and nine other officials were unsealed, either through Mexican prosecution or, extradition. But once Rocha decided to test the limits of presidential authority, Sheinbaum won the showdown decisively.

Rocha returned to office last Friday after almost four months on leave, arguing that Mexican investigations had produced no evidence against him. Sheinbaum said on Monday that she

learned of his return only through his public announcement and did not consider it “pertinent, to put it mildly”. In a Saturday social-media post that did not name Rocha, Sheinbaum wrote that no personal interest could be placed above the interests of the people and that “Mexico deserves public servants who understand that offices are temporary, but the responsibility to the Nation is eternal.”

The Interior Ministry distanced itself from Rocha. Morena said it had not been consulted. Morena governors backed Sheinbaum. Ricardo Monreal, the party’s leader in the Chamber of Deputies, publicly urged Rocha to reconsider. The PT and Green Party also distanced themselves from him. Rocha had apparently assumed that the political protection he enjoyed before taking leave still existed. It did not.

When the US accusations first emerged, Sheinbaum and Morena broadly defended him. Part of the explanation was institutional: an American accusation is not a Mexican conviction, and allowing Washington effectively to choose which Mexican governors remain in office would create an obvious sovereignty problem. But the political calculation was also harder to ignore. Rocha was close to Andrés Manuel López Obrador and his political circle, and Sheinbaum was (and is) governing a movement containing several competing centres of power.

Four months later, Rocha’s return produced almost the opposite response. Major figures within Morena rapidly lined up behind the president rather than the governor. Rocha’s apparent calculation that party solidarity would protect him proved badly wrong.

So Sheinbaum emerges stronger. She demonstrated that a Morena governor, even one with powerful links to the previous administration, cannot defy the president and rely on the party to close ranks around him. The episode also might suggest that the centre of gravity inside Morena is moving from López Obrador’s coalition towards Sheinbaum’s presidency, and that Morena politicians facing serious allegations can no longer be confident that the party’s instinctive response will be “no Morenista left behind”. The party is already showing greater concern about problematic candidates ahead of future elections, while Alfonso Ramírez Cuéllar, an important Sheinbaum ally in Congress, used the Rocha episode to revive the idea of eliminating the constitutional immunity, or *fuero*, enjoyed by elected officials.

The immediate question is now who governs Sinaloa. Until a successor is chosen, Secretary General of Government Yeraldine Bonilla occupies the office under the constitutional mechanism that transfers day-to-day authority when the governorship is vacant. Two names are circulating most prominently: Bonilla herself, a Morena veteran with the advantage of already holding the position and presumably enjoying federal support; and Julio Berdegué, who left Sheinbaum’s cabinet as agriculture secretary on the same day Rocha first requested leave in May and has subsequently worked on the agricultural side of the USMCA review.

The choice will provide another indication of how complete Sheinbaum's victory actually is. Sinaloa's legislature remains divided between politicians aligned with the president and those still loyal to Rocha. Installing a governor clearly aligned with the federal government would further weaken what remains of Rocha's political machine.

For now, however, the most important result is what did not happen. Rocha's return did not provoke a lasting rebellion inside Morena, expose an open rupture between Sheinbaum and López Obrador's political network, or leave the president unable to impose her authority. Instead, the party rapidly consolidated around her and Rocha retreated. Rocha tested whether the old political protections still applied and discovered that they did not.

Sheinbaum won this particular confrontation, and probably emerged from it with greater authority over Morena. The harder question is whether she now uses that authority to deal more decisively with the next Rocha, rather than waiting for another one to force the issue.

A copyright tax, by other means

For the better part of a week, media outlets citing unnamed sources have reported that the Culture Ministry, together with Indautor and the composers' collecting society SACM, is drafting a tax of up to 2 per cent on the sale price of phones, tablets and computers, a charge that would apply simply because these devices can store or play copyrighted material.

Neither the ministry nor Indautor has confirmed, denied or clarified any part of it. The idea has a paper trail, and its author has a rather more colourful résumé than most legislators pushing tax policy. Sergio Mayer, a Morena deputy who chaired the Chamber's culture committee, introduced the original version back in April 2020, framing it as a fix for what he called technology's abuse of authors' rights. The reform reached the floor on 30 April 2021 and died there: 292 votes against, 87 in favour, 59 abstentions, with even members of Mayer's own governing coalition turning on it after PT's Gerardo Fernández Noroña argued publicly that consumers should not be made to absorb a cost that belonged to manufacturers and importers.

Five years on, the same idea appears to be finding a way around that defeat. According to the unnamed sources behind this week's reporting, the route this time is a regulation rather than a law. Rather than risk a second vote in a Congress that already delivered its verdict, the Culture Ministry and Indautor would draft a secondary regulation defining which devices qualify, who pays and how the rate gets calculated, all without needing the legislative approval that killed the idea the first time around.

The legal tension beneath the proposal is not complicated, even if it is hard to resolve. Authors have a real, constitutionally protected claim to compensation when their work is

copied, and royalty collectors exist precisely because that compensation is otherwise impossible to track device by device. Consumers have an equally real claim not to be charged in advance for a copyright infringement they may never commit, on hardware they may use exclusively for spreadsheets, schoolwork or video calls. A flat percentage applied to the retail price does not distinguish between the two: it simply assumes infringement as a baseline condition of owning a phone.

Industry estimates put the annual cost of the scheme at US\$700 million to US\$750 million, money that would show up sooner or later in the price consumers see at checkout, on top of whatever they already pay Spotify and Netflix for the same underlying content.

Chatter box

Delta and Aeroméxico beat Washington at its own game. The US Eleventh Circuit Court of Appeals has thrown out the Department of Transportation's order to unwind Delta and Aeroméxico's ten-year joint venture, calling the decision 'arbitrary and capricious'. The DOT had argued the alliance amounted to legalised collusion, controlling nearly 60 per cent of operations at Mexico City's airport, the fourth-busiest origin-and-destination point for US traffic. The court did not accept the reasoning: it found the DOT had run a far narrower market analysis than it had used in comparable cases, and had never explained why it imposed a stricter approval standard on the Delta-Aeroméxico venture than on a similar joint venture between United and Japan's ANA. Antitrust immunity and the joint venture itself remain in force, and both airlines say they are reviewing next steps with their legal teams. For now, Delta keeps its 20 per cent stake and Aeroméxico keeps the connectivity the joint venture provides between the two countries, at least until Washington decides whether to appeal or draft a new order that can survive the same scrutiny.

Extortion laws: The Supreme Court takes over. The Supreme Court has struck down large parts of the extortion laws Tabasco and Baja California Sur each passed following the 2025 reform, ruling that both states overstepped into territory that belongs to Congress alone. Tabasco lost the articles covering *ex officio* prosecution, precautionary measures and mandatory pretrial detention; Baja California Sur lost the ones that tried to make its own statute the applicable standard over federal and municipal authorities. The Court held that states may still investigate, prosecute and build out the institutions extortion cases require, but cannot rewrite the national legal framework for the crime or reassign which authority answers to whom. The ruling applies retroactively, back to the date each law took effect.

Labour conciliation gets a paperwork diet. The Federal Labour Conciliation and Registration Centre published new administrative rules in the DOF, trimming the paperwork required for registry and conciliation procedures and pushing more of the process online, so fewer people need to show up in person or stand in line to file. The rules also tighten the

framework for individual and collective conciliation, aiming for faster, more predictable resolutions, and streamline how the Centre's regional delegations handle cases across the country.

Presidency restructures itself, loses a spokesperson. President Sheinbaum published a new Interior Regulation for the Office of the Presidency in the DOF on 4 August, replacing the one issued under López Obrador in December 2019, and the change that caught most attention is the one nobody in the document explains: the presidential spokesperson's role no longer exists as a distinct position. Communications work stays with the General Coordination for Social Communication, which keeps handling media relations and government messaging, but the standalone *vocería*, the office that gave López Obrador's morning press briefings a dedicated public face, simply disappears from the org chart. What grows instead is everything around it. Lázaro Cárdenas Batel's Office of the Presidency picks up formal responsibility for tracking priority projects, evaluating public policy and coordinating across ministries, and the Secretaría Particular under Carlos Augusto Morales takes on the presidential agenda, logistics, security and the channel for public petitions and outreach to private and social sector representatives. The decree is explicit that none of this comes with new money: the reorganisation runs on the budget already approved for 2026, so whatever these expanded units absorb, they absorb without additional staff or funding lines to pay for it.

Fill up now, permit later. Mexico's energy regulator has given every company running an unpermitted fuel-dispensing setup for its own fleet a narrow window to come clean, and it did so with a document that reads less like a registration form than a confession. The CNE's 11 August rule opens registration on 12 August and closes it, without extension, on 31 December, for anyone dispensing fuel into their own vehicles without the permit the law technically requires. What they get in exchange is not a permit. It is a *Constancia*, an interim authorisation that lets operations continue while the actual permitting rules get written, rules the CNE now has up to twelve months to produce once the registration window shuts.

The programme's definition of self-consumption does most of the regulatory work. Fuel can go only into vehicles the applicant owns or possesses and uses for its own business, never sold, transferred or invoiced to anyone else, and the moment a drop reaches a third party's tank the whole arrangement stops qualifying. Companies that have run these installations quietly for years are effectively being asked to hand the CNE a complete operational history in exchange for permission to keep doing what they were already doing.

No more *fuero*? Morena deputy leader Alfonso Ramírez Cuéllar has revived his proposal to eliminate the procedural immunity enjoyed by governors and legislators, arguing that elected office should not prevent public officials from facing criminal proceedings. His proposal preserves parliamentary inviolability (the protection legislators receive for opinions and acts carried out as part of their duties) while removing the requirement that Congress first authorise criminal proceedings against certain officeholders. The idea is not

new: Ramírez Cuéllar presented a constitutional amendment to Articles 61, 108 and 111 in March 2025 that remains pending in the Chamber's Constitutional Affairs Committee, with an extended deadline for a report until August 2027. No new initiative corresponding to his 22 August announcement had been formally introduced as of 24 August.

The renewed push comes as Ramírez Cuéllar has publicly criticised the return of Sinaloa governor Rubén Rocha Moya following a leave of absence, and separately referenced the constitutional dispute involving Nuevo León governor Samuel García, repositioning the issue around accountability for state executives. Getting rid of an unpopular political privilege is an easy slogan; changing the Constitution is harder. The proposal requires two-thirds support in Congress and approval from a majority of state legislatures, while raising the more fundamental question of whether making governors easier to prosecute strengthens accountability without making criminal proceedings an easier instrument for political pressure.

Airbnb hosts want their other six months back. Mexico City's Community of Small Hosts is asking Clara Brugada to eliminate the rule limiting short-term tourist rentals to 50 per cent of the year, arguing that the restriction amounts to a partial prohibition rather than effective regulation. The group supports registration and oversight but wants differentiated treatment between people renting their own home or a small number of properties and professional operators. The limit itself dates from October 2024, when Congress introduced it to discourage the permanent conversion of residential properties into tourist accommodation, address gentrification pressures and narrow the regulatory gap with hotels. The hosts' August request is not yet a bill, and no initiative modifying the 50 per cent cap had been formally introduced as of 24 August.

Brugada has so far been moving in the opposite direction, launching a digital registry of hosts and temporary-accommodation platforms in May and promising tighter rules to prevent entire residential buildings from becoming tourist accommodation. But her government has also floated differentiated treatment for small property owners, giving hosts at least an opening for negotiation. The next test is whether Brugada agrees to reopen talks and whether the request eventually becomes an amendment to the Tourism Law. Until then, Airbnb hosts still have only half the year to work with.

Consultation closed, audience debate continues. The CRT closed its public consultation on new audience-rights guidelines at 11:59pm on 21 August, ending nearly four weeks of debate over proposed rules requiring broadcasters to distinguish news, opinion and advertising, maintain codes of ethics and audience ombudspersons, and comply with new accessibility and oversight requirements. The consultation is finished; the regulation is not. CIRT has challenged proposed fines reaching around 1 per cent of accumable revenue, while Artículo 19, Cencos and Pertenececes have questioned whether ambiguous standards around truthfulness and contextualisation could draw the regulator into editorial decisions without a sufficiently clear statutory basis.

The CRT has already signalled that the consultation will produce changes. Executive secretary Enrique Pavón acknowledged that sanctions are among the most disputed provisions and anticipated adjustments once submissions have been reviewed. The Commission must now prepare a final version for its Plenary, with no official date yet announced for approval or publication. The real test will therefore be whether the CRT can preserve enforceable audience rights while narrowing the provisions that broadcasters and free-expression groups fear could turn audience protection into editorial supervision.

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