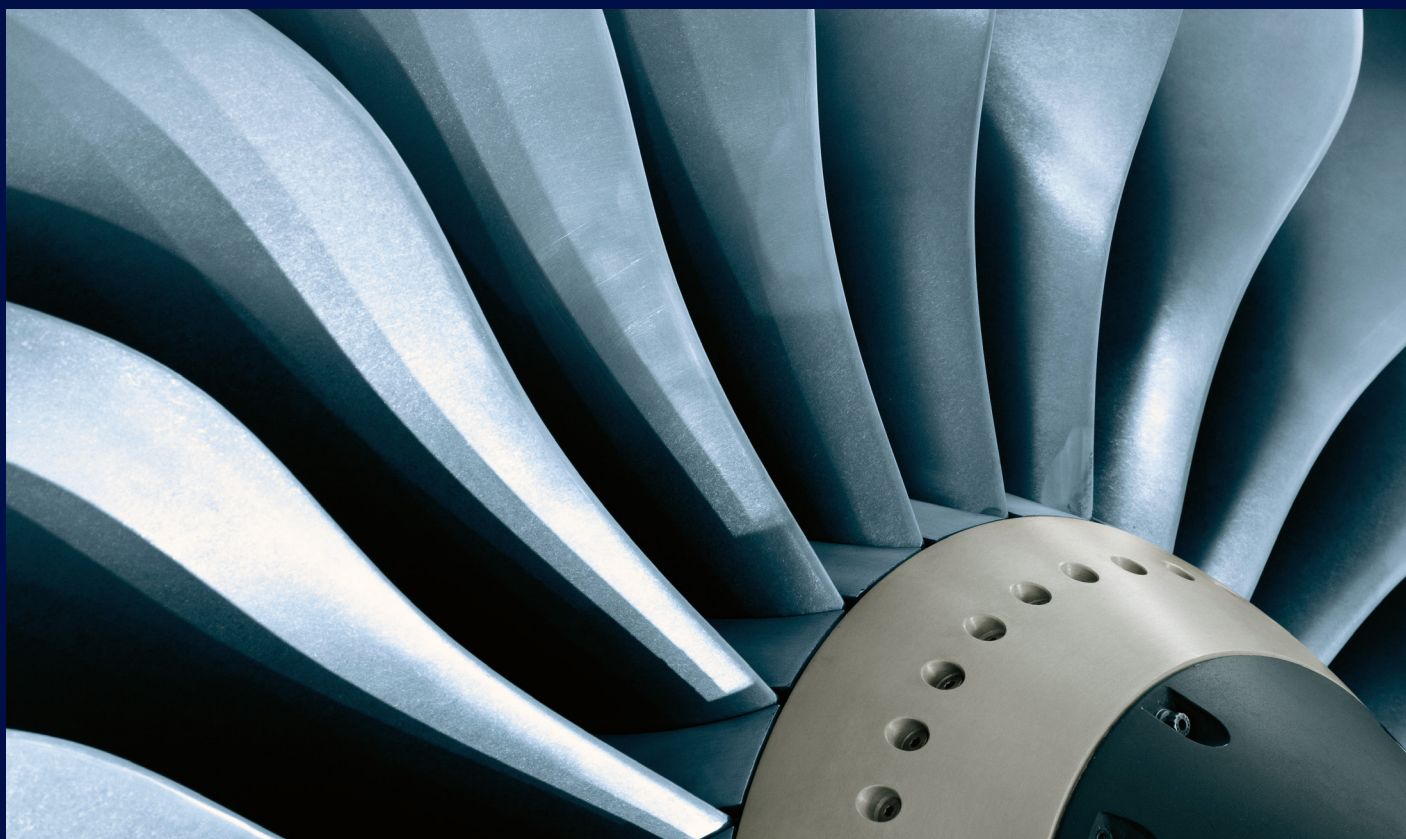


North American trade under review: 3 paths



Introduction

Direct negotiations, political positioning, and business lobbying related to the 2026 review of the North American trade agreement – named United States–Mexico–Canada Agreement (USMCA) for Americans and Canada–United States–Mexico Agreement (CUSMA) for Canadians – are well underway. As the review process continues into the third quarter of 2026 and perhaps beyond, businesses trading in and investing in North America face the task of continually assessing what form continental trade policy may take once the review’s dust settles.

Since [the last report](#) published by Marsh Risk on this topic, the three countries’ negotiating priorities have crystalized, the trade policy levers available to the US have changed, and the US-China relationship has stabilized.

For this reason, an updated report was justified. This report outlines three of the likeliest scenarios for the future of North American trade as of June 2026, including the most significant potential policy and regulatory changes associated with each.

“Signposts” that provide observable indicators to help businesses determine whether one of the scenarios is becoming more likely are also identified.

The report’s intent is to provide a clear guide for businesses seeking to improve their understanding of the 2026 review’s potential outcomes and, as a result, better prepare their organizations for the future of North American trade.

Three paths for continental trade

1

Modified trilateral extension

The US, Canada, and Mexico reach a three-way agreement on a revised deal

- For the US to agree to a trilateral extension, Mexico and Canada would need to make meaningful concessions
- No trilateral negotiations have been held as of the end of May, and none are publicly planned

2

No extension in 2026, side deals pursued on priority issues

The trade agreement is not extended in 2026, but remains in place in its pre-existing form while narrow side deals are reached

- Absent formal extension or termination, the current agreement governs trade until 2036
- Future governments in all three countries would have chances to jointly extend the trade agreement before expiration

3

Trade agreement terminated, replaced with bilateral deals

The US exits the trade agreement to pursue separate bilateral deals

- Bilaterals may appeal to the US as trade policy priorities vis-à-vis Canada and Mexico are quite different
- Termination before the US midterm elections seems unlikely
- Formal trade deals require congressional approval, but alternative strategies exist



Scenarios

There are many variations of the three potential paths that are not covered in this report, and several other scenarios not discussed at all, which, while possible, seem considerably less likely than these three. Regardless of which scenario plays out, businesses should appreciate that the post-review future of North American trade policy is unlikely to be neat and tidy.

Instead, a perpetually higher friction trade policy environment seems probable, and a return to the pre-2025 status quo of policy stability should not be expected. For example, the US has [indicated its intention](#) to keep tariffs in place on non-trade agreement-compliant goods from Mexico and Canada going forward.

Indeed, in a higher-friction trade policy environment, all three governments may continue to leverage their respective authorities to shape trade in ways contrary to the more laissez-faire policies of recent decades.

In turn, this interventionism may repeatedly strain whatever trade deals do exist, requiring businesses to pay close and consistent attention to policy signals and evolving political priorities at the domestic and bilateral levels to position their organizations for continuing success.

Therefore, the outcome of the 2026 review is unlikely to mark the end of a historically unstable period in North American trade policy. Rather, it may be just one chapter in a new era of trade complexity and friction that will shape the operating environment for the foreseeable future.

For this reason, there is value for leaders in determining which scenario they view as most likely and considering how they can prepare their organization accordingly.



1: Trilateral extension

Mexico and Canada jointly accept the most significant US priorities, which allows a trilateral renewal to be completed under a revised North American trade agreement. The US's stated trilateral objectives include the following, at least some of which may require congressional ratification.

Policy	Description	Commentary
Stricter rules of origin (ROO)	The US wants to raise the vehicle ROO from 75% to 80%+ and require that 50% of content be from the US.	ROO is a requirement that a certain proportion of a product originate from within a designated location. A 50% US ROO requirement, meaning half of all of a vehicle's components must be of US-origin, could severely impact some firms in Canada's auto supply chain, especially of large components.
Close loopholes and strengthen enforcement	More aggressively enforce existing provisions and remove policy loopholes.	The US wants stricter enforcement of labor investigations, which would primarily affect factories in Mexico. The US also wants to eliminate the "roll-up" provision in ROO accounting, which prevents foreign components in certain auto parts from counting against the ROO total. Stricter "melted and poured" standards are also a priority for steel and aluminum.
Alignment on external tariff and foreign direct investment (FDI) screening	The US wants Mexico and Canada to align their external trade and investment policies with Washington's.	This would require Mexico and Canada to match some US tariff policies on countries without a free trade agreement. It would also require Mexico and Canada to expand investment screening mechanisms, especially on inbound Chinese FDI in strategic or politically significant sectors.

While not a complete list, these three structural policy changes are top priorities for the US, and Mexico and Canada would likely need to agree to them to convince the US government that a trilateral renewal of the North American trade agreement is warranted. For a more complete list of trade irritants and review priorities, please view the relevant trade policy sites for the [US](#), [Canada](#), and [Mexico](#).

These three signposts may indicate that a trilateral renewal is becoming more probable:

US–Canada meetings announced

In 2026, Canada and the US have held zero trade agreement review meetings as of June 15. If a trilateral renewal is going to be agreed, the two governments would likely need to meet formally before US-Mexico meetings conclude.

US softens its 50% US ROO position

The potential impact to subsectors of Canada's auto supply chain of a 50% US ROO makes it difficult for Ottawa to agree to that rate. If the US softens the 50% figure, that may indicate that trilateral negotiations are advancing.

Positive signals on critical minerals

Canada treats critical minerals as strategically valuable to the US, and movement here may track the trade agreement review. Though the Canadian government has ruled out using minerals or energy as leverage, positive signaling from Ottawa could point to improving renewal prospects.



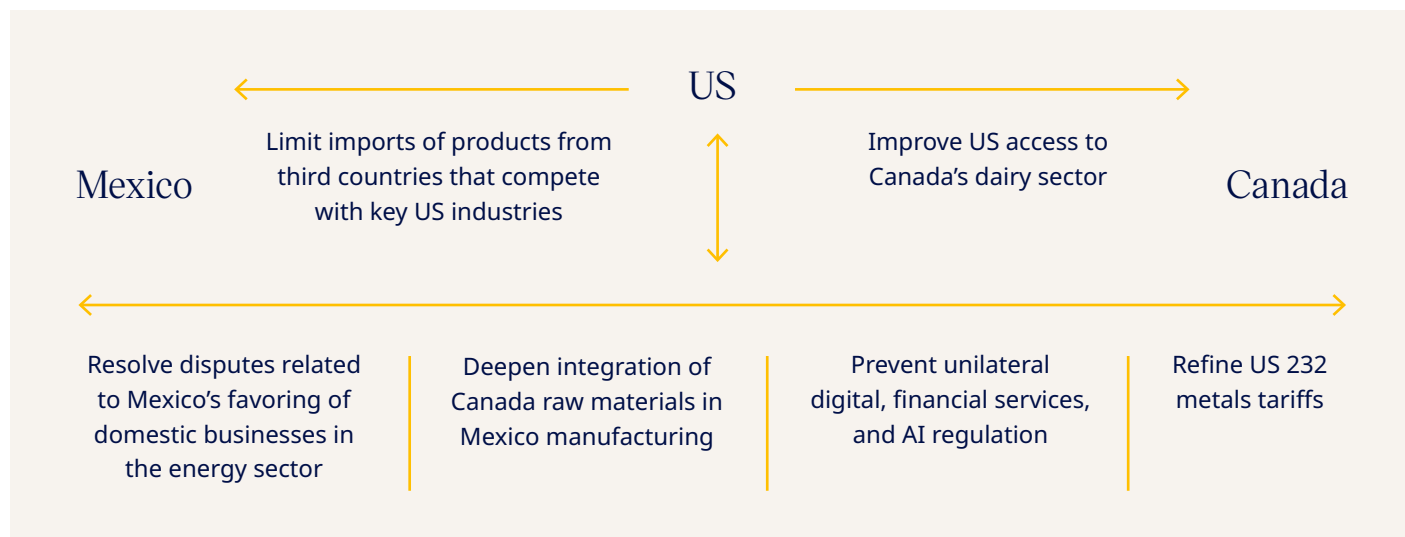
2: No renewal, side deals agreed

Alternatively, there might be no formal extension of the North American trade agreement. In this scenario, the US, Canada, and Mexico do not trilaterally agree to renew the trade agreement for a further 16 years. Instead, the agreement remains in place in its current format until it is either trilaterally renewed at a future date or it expires in 2036.

In the absence of a renewal, the US, Mexico, and Canada may reach so-called “side deals” on priority issues, attempting to find common ground where possible and leaving contentious topics unresolved.

This scenario may be the most complex of the three for businesses, at least from the perspective of the persistent difficulty of tracking forthcoming side deals and unraveling how they may overlap or interact with existing trade agreement trade rules, regulations, and compliance obligations.

Beyond the priority policies listed under the first scenario, which the US would undoubtedly still push bilaterally, other areas of expected focus would include:



There are two key signposts for this scenario:

US-Mexico deal on trade issue(s)

If resolving trade issues via trilateral renewal remains the US preference, the US would likely avoid signing side deals with Mexico even after the issues are substantively resolved. However, if the US decides that achieving its objectives via a trilateral renewal is not feasible, the announcement of side deals with Mexico could be a clear indicator that the US has abandoned the idea of nearterm renewal of the trade agreement.

US messaging on non-renewal

The announcement of any side deals with Mexico outside the framework of the trade agreement should be considered alongside US messaging on the topic of the 2026 review. If officials state that renewal is not a priority, a side deal strategy may be likely. Conversely, if US officials consistently frame Mexico as a reliable partner that has satisfied US concerns, in contrast to Canada, scenario three should be considered more plausible.

3: The North American trade agreement is terminated

Businesses should not discount the possibility of the US terminating the trade agreement and seeking to replace it with bilateral deals for reasons such as these:

- The current US administration has demonstrated a **clear preference for direct, executive-level bilateral trade deals** that do not involve Congress, which allows for flexibility and leverage during negotiations.
- **Two structural aspects of the trade agreement are particularly frustrating to the current US administration:** its trilateral nature and the fact that any significant changes require congressional ratification. Neither issue is resolvable within the framework of the trade agreement itself. A new deal or deals would be necessary to get around them.
- Most commentary on the trade agreement termination states that any replacement bilateral deals would require congressional ratification, thereby discouraging the administration from pursuing that option. However, **the administration may believe it can replicate important parts of the trade agreement** through a combination of executive tariff authorities and bilateral frameworks, in the model of many of its 2025 trade deals.

Countering the frustrations, there are deterrents that extend beyond economic arguments which may motivate the US to seek resolution within or alongside the existing agreement.

A termination notice is unlikely before the US midterms in November as it could be politically damaging in key areas.

Any termination notice would likely face lengthy legal challenges, including up to the Supreme Court, with an uncertain outcome.

It is unlikely that some key components of the trade agreement, which is the US highly values, could be replicated with executive orders.



Determining whether statements by any US official on the possibility of terminating the trade agreement is simply intended to create leverage, or whether they represent a genuine threat to activate the minimum 6-month exit clause, requires considering those statements in the context of broader developments in the trilateral relationship.

If the latter is the intention, at least two developments would likely also need to be **jointly** borne out:

US and Mexico finalize negotiations, but no immediate side deals signed

As of June 15, 2026, the US and Mexico have made steady progress on key topics and have scheduled further negotiating rounds for the summer. It appears likely that the US and Mexico will conclude bilateral negotiations well before the US and Canada do so. In a scenario where the US is considering termination, the administration may hold back from finalizing any side deals with Mexico on specific issues, preferring instead one single deal to address all bilateral topics.

US messaging shifts to framing the trade agreement as irreparably flawed

In December 2025, USTR Greer stated that he would [only recommend the trade agreement renewal](#) to the President if the US's priority issues with Canada and Mexico were resolved. That description, of the trade agreement being an imperfect agreement in need of repair, is qualitatively quite different from describing the deal as permanently broken. If the US is seriously contemplating termination, messaging would likely shift consistently to terms including "irreparable, unfixable, unresolvable."



Fortress North America or Fortress USA

In considering a termination, the US administration would assess whether its frustration with the existing constraints and perceived flaws of the trade agreement are significant enough to risk the economic disruption, legal uncertainty, and potentially imperfect alternatives that could replace it.

Further, the administration would assess whether it believes that those issues could only be resolved by exiting the trade agreement. Businesses looking for a way to frame this process can consider “fortress North America or fortress USA.”

Fortress North America is, based on repeated public statements by US officials, the administration’s preference. It prefers integrated North American supply chains with continental barriers aligned to its priorities on inbound investment and goods imports over alternatives scenarios.

For Canada and Mexico, however, a trade agreement trilaterally restructured for an era of geoeconomic competition would come with caveats and new burdens.

As with other partners and the trade deals reached in 2025, **the US position is that duty-free access to the US market for the majority of Canadian and Mexican exports is a privilege, not a right.**

To retain that privilege, the US expects Canada and Mexico to accept less favorable terms on metals and manufacturing trade, and other issues described elsewhere in this report and in public US documents.

In the absence of such concessions, the US would be more likely to pursue its second preference: a fortress USA strategy that could take the form of either non-renewal of the trade agreement with side deals or, potentially, a notice of termination.



Thriving in a higher friction trade environment

Businesses and investors preparing for a less stable trade policy environment in North America can take several actions.

Identify key stakeholders across the organization and establish a regular working group cadence.

Many organizations lack coordinated geopolitical muscle, even if the expertise for such muscle does exist in various corners of the enterprise.

In the context of such profound changes, including to the North American trading relationship which can so fundamentally impact a company's supply chains, strategy, and profitability, this is a problem.

As long as the future of North American trade policy remains uncertain, businesses should consider identifying the personnel across the firm with expertise and who need to understand the current political direction and ensure they are regularly engaging with and speaking to each other. By doing so, business decisions can be taken within the context of the evolving trade situation.

Form an organizational opinion on the most likely outcome from the review and regularly update it.

Crucially, many businesses have not formed a collective opinion or view on their expectation for the future of North American trade policy and integrated that into their strategic decision-making.

Perhaps the topic has been discussed at the board or in the C-suite, but not more broadly.

By embedding a clear view on the trade agreement review's outcome into strategy decisions, and regularly updating that view, organizations can gain a competitive advantage over businesses that take a wait-and-see approach, or which respond reactively to each new news development.

Identify and mitigate high-consequence supply chain chokepoints.

On the basis of the organization's view, especially if and when that view becomes appropriately high confidence, key supply chain exposures can be identified and proactively addressed before a significant trade policy change is formally implemented.

Design and implement an advocacy strategy to engage elected officials and policymakers.

Policymakers and elected officials frequently request public comment on their policy plans. They also often privately solicit input from businesses.

Companies should take advantage of these opportunities to advocate for their priorities. If they do not, it is possible that another business with a contradictory preference will do so, potentially winning over policymakers in the process.

Manage increased credit risks with appropriate mitigation tools.

Until North American trade policy regains predictability, counterparties may face unexpected periods of financial stress.

Organizations can mitigate their own exposure to these periods with robust trade credit insurance policies, helping to transfer the risk of unsettled receivables off the balance sheet.

To discuss how these scenarios may impact your own business and the potential risk and resilience strategies that can be implemented, please reach out to your Marsh representative or one of these specialists.



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