# Mexico Country Outlook 2026

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Each year, the Center for the U.S. and Mexico at Rice University's Baker Institute surveys experts affiliated with the institute to generate a "Mexico Country Outlook." Experts discuss the opportunities and challenges in Mexico's political, regulatory, economic, and social environment. The report is available to policymakers, business leaders, and the public to assist in decision-making.

This report is the Center for the U.S. and Mexico's forecast for Mexico in 2026.[1] It addresses themes, such as the political and diplomatic relationship between Washington, D.C. and Mexico City, the state of politics and democracy in Mexico, shifts in the regulatory environment, pending issues in the legislative and regulatory agenda, the expected performance of the country's economy, public safety and security, and other relevant social issues.

# I. Executive Summary

In 2026, Mexico's democracy will continue to face extensive challenges.[2] Next year, the government plans to enact a political and electoral reform to weaken citizen-organized elections, likely diminishing the country's democratic process.[3] If these reforms are ratified, the executive branch would be the most powerful and relevant branch of government, with expectedly compliant legislative and judiciary branches.

The opposition's influence will continue to dwindle, if they are unable to craft a coherent, alternative message that can appeal broadly to Mexican citizens who are dissatisfied with the current administration. Additionally, the opposition will become more vulnerable due to the governing coalition's use of social programs to build an electoral clientele and the weakening of regulatory institutions, independent elections, and the judiciary, which collectively ensure fair, equal opportunities for all political parties and candidates.[4] This comes on the heels of Mexico's full implementation of legislation eliminating independent regulatory agencies and significantly reshaping the judicial system to function more fully under the executive branch.[5] As an economic consequence, these changes are expected to bring more arbitrariness and uncertainty to the country's business environment.[6] Thus, the resulting highly speculative business environment will likely add to Mexico's economic stagnation in 2026, as investors will be required to operate under uncertainty.

Economically, the country's growth is expected to remain slow. Alongside relatively flat rates of private investment, public investment on factors that could reverse the country's low growth trend of the last years — infrastructure, human capital, and research and development — will be cut further in 2026.[7] Given these reductions in sectors that encourage economic growth, Mexico's fiscal policy is expected to result in growing public debt, a constricted tax base, and shrinking remittances. The government will seek to maintain some macroeconomic discipline, but the likelihood of fiscal success is not high, given the substantial costs of growing pensions and social programs, debt servicing expenditures, and significant subsidies to government-owned enterprises. Altogether, Mexico's current economic policies suggest that 2026 is expected to be yet another low economic growth year, like the last seven years.[8]

Other key issues to watch in 2026 are related to U.S. demands on the Mexican government. Three specific issues are of concern to Washington, with Mexico having relatively low leverage to challenge these requests:

- **Continued immigration enforcement:** Mexico has responded to pressure from the Trump administration to stem the flow of asylum seekers at the border by deploying tens of thousands of National Guard members against transmigrants and imposing additional travel restrictions on certain nationalities.[9] This pressure will continue.
- **U.S. enforcement against drug cartels:** The Trump administration will continue to demand that Mexico establish a framework that will allow U.S. operatives to conduct law enforcement actions against drug cartels in Mexican territory, particularly those focused on fentanyl smuggling.[10]
- **Trade and tariff agreements:** The U.S. is likely to press Mexico on approving a new version of the United States-Mexico-Canada Agreement (USMCA) that includes a tariff table on trade as well as restrictions of Chinese investment in and curtailment of Chinese imports to Mexico.[11]

The Sheinbaum government, unlike the administration under former President Andrés Manuel López Obrador (AMLO), will likely be unable to offer alternative concessions to satisfy Washington or postpone action in favor of Washington's positions. This will lead Sheinbaum to thread a fine line between quietly conceding to a number of the Trump administration's mandates while intensifying her nationalistic rhetoric for domestic consumption.

# II. Politics and Democracy

## Political Reforms and Governmental Restructuring

In 2024 and 2025, Mexico undertook a series of political reforms. These policy changes have resulted in a substantial power restructuring to the country's government and institutions along with a shift in ideological orientation. This was possible because the coalition lead by National Regeneration Movement (MORENA) Party consolidated its political power by claiming a supermajority of 73% in both chambers of Congress, even though they received only 54% of the total vote.[12] This disproportion in legislative representation was possible because the National Electoral Institute (INE) and the Electoral Tribunal (TEPJF) had already been absorbed by MORENA.[13] Overall, these changes diminished the systems of checks and balances, concentrated power in the executive branch, and expanded the government's role in the economy. With this, President Claudia Sheinbaum has thus far implemented the policy reforms entrusted to her by her predecessor AMLO.

Some of the most extensive changes' full effects will be felt in 2026. Political and economic decisions will depend on the will of the president. Information and statistics will likely be obscured as Congress moved to dismantle independent regulatory and oversight agencies, including:

- National Institute of Transparency for Access to Information and Personal Data Protection (INAI), which was charged with transparency, information requests, and data protection.
- National Council for the Evaluation of Social Development Policy (CONEVAL), which managed social data and statistics.
- Federal Economic Competition Commission (COFECE), which regulated market competition and monopolistic practices.
- Energy Regulatory Commission (CRE) and National Hydrocarbons Commission (CNH), which oversaw the energy and hydrocarbon sectors.
- Federal Telecommunications Institute (IFT), which supervised telecommunications.
- National Commission for the Continuous Improvement of Education (MEJOREDU), which implemented and upheld education standards.[14]

The functions of these previously independent agencies were absorbed by the MORENA-led executive departments. As a result, businesses will find that they have fewer sources of independently verified information, a more uneven playing field, and a decision-making process that will be reviewed by the National Palace.

## Judicial Branch, Election System, and Public Safety

Furthermore, a conciliatory Congress also moved to reform Mexico's judicial system in 2024 and 2025, substituting a professional, technical administration of justice, even if imperfect, for less qualified elected judges.[15] The effect of this will be felt in 2026, as the first half of all elected judges begin their work; the remaining half will be elected in 2027. Most of the new judges were selected by the MORENA Party and its allies, likely ensuring that the judicial system will follow the same tenets as the MORENA-led Congress.[16] In turn, the judiciary could be utilized by the executive branch to place restrictions on media, critics, rivals, citizens, and businesses and investors that do not defer to the MORENA Party's wishes.[17] The year 2026 will be a test year for the judiciary's ability to act independently.

Also, in 2026, Mexico's government is likely to forge ahead with weakening the electoral system and oversight as well as initiating changes to its political representation structure — all of which are likely designed to aid the MORENA Party in maintaining their majority now and for years to come.[18] The Sheinbaum-appointed commission charged with this policy change has not yet published its recommendations for reform. Yet, their recommendations are likely to include fewer public resources for political parties; the full or partial elimination of proportional representation, which gave a voice to minorities and minority parties; and the return of elections' organization and management to the executive branch through the Ministry of the Interior.[19]

Finally, 2026 will see a continued militarization of public security, infrastructure, and services in Mexico.[20] The armed forces — often through the National Guard under the government's command — will operate and supervise key functions, such as the customs service, much of the public safety and security system, intelligence, and civil protection.[21] The military is expected to continue running specific state-owned enterprises, such as airlines (Mexicana), trains (Mayan Train), resorts and hotels (Uxmal), etc.[22] A concerning consequence of the military's expanded role is their exposure to corruption and, thus, serious reputational harm.[23] The corruption scandals that emerged in late 2025 are expected to continue unfolding throughout 2026.[24]

Additionally, these state-owned projects are exempt from environmental and other impact-related legislation, crowd out private investment, constitute imbalanced competition, and are not obliged to operate at a profit, directing taxpayer and public funds toward subsidizing these enterprises.[25] As the government becomes involved in the economy through these and other state-owned and -operated businesses, private and foreign investment will likely find itself under irregular competition conditions and confined to fewer economic spaces or sectors.[26]

## Political Forecast

In sum, Mexico's democracy is expected to continue its shift away from a system of equal and sustained checks and balances. Governmental power will be more concentrated. As independent agencies' functions are absorbed by the executive branch, the government is expected to be less transparent and accountable regarding social and economic data and regulations. It will also likely be more arbitrary in its dealings with the media, civil society organizations, citizens, and businesses and companies. Those that do not follow the executive branch's directives and align with their political ideology may be sanctioned with fewer possibilities of appeal under the new judiciary. Consequently, many policy decisions are expected to be more driven by political motivations than technical or professional expertise.

The political opposition to the MORENA-led government, though not statistically insignificant, is not anticipated to find the extant political parties attractive in 2026. The opposition will likely remain fragmented and unable to assemble a successful coalition and effective counternarrative. A better sense of their state will emerge toward the end of 2026. Nonetheless, it is possible that toward the end of 2026, the MORENA Party and its coalition parties will begin to disagree and clash internally, as many of its members begin to prepare for what will likely be the largest election in Mexico's history — the lower house of Congress, a majority of all governorships, thousands of local elections, and the remaining half of all federal judges to be elected in 2027.

# III. Legislative and Regulatory Environment

## Impacts of New Judicial Reform

The MORENA Party's government coalition in Mexico had sought to oversee and influence the judicial system in the past. On Sept. 15, 2024, they succeeded. Congress approved a constitutional reform that significantly altered the judicial branch, replacing all sitting judges with new ones elected by popular vote.[27] The first judicial election held on June 1, 2025, was to replace half of all federal judges. However, there was a minuscule turnout of only 13% of total registered voters — 10.8 % of whom invalidated their ballot, while 12.4% of this group left their ballots blank.[28]

This low participation indicates that the election was inadequately organized, the campaigns were ineffective, and voters were unfamiliar with the process. The second election for the remaining half of all federal judges will be held in 2027. Critics of the reform allege that the election was partisanly influenced and claim that the MORENA Party unlawfully promoted its preferred candidates in what was supposed to be a nonpartisan election.[29] Although numerous challenges to the election were filed, electoral authorities and courts dismissed these claims, ruling the election valid.[30]

On Sept. 1, 2025, the newly elected justices and federal judges took their oaths.[31] The challenges ahead are significant, especially because the new system replaced the heads of the courts but did not implement any substantial changes to procedural rules, which leaves a relatively ineffective prosecutorial system intact.[32] This situation means that less experienced judges will face overwhelming workloads and be tasked with ruling complex cases without being thoroughly familiar with the procedures.

As of mid-September 2025, President Sheinbaum introduced a bill to Congress proposing amendments to the Amparo Law. The "juicio de amparo" is a distinctive legal challenge in Mexico that allows individuals to go to court to contest government actions that violate their human rights.[33] The proposed changes aim to digitize parts of the process, to limit judicial injunctions, and to establish a 60 calendar-day period to issue amparo judgments, among others. It is most likely that the bill will pass with few changes.[34]

## Concerns for Judiciary's Independence

Moreover, the candidates who largely won the election were closely affiliated with the MORENA Party and its coalition. The replacement of skilled judicial professionals with individuals aligned with the political majority could compromise the judiciary's independence. As a result, judges may now be subject to political interference, potentially leading to decreased accountability within the judicial system. The judiciary's partisanship could be mobilized against minority political leaders, critical media correspondents, and other actors who diverge from the MORENA-led government's mandates.

In effect, the new, primarily MORENA-aligned judges will likely prioritize ideology and public sentiment over the country's established law, resulting in less debate within the courts and greater deference toward the executive and legislative branches. Ultimately, this could lead to the weakening of judicial independence. If the judiciary's independence becomes questionable, it will likely have serious long-term consequences by introducing additional uncertainty to the business climate and contributing to a continued lack of progress in various indices that measure the country's democracy and the rule of law.[35]

# IV. Economic Outlook

## Economic Growth

Mexico's economy has remained stagnant in the last few years, averaging an approximate 1.2% growth rate in the last decade, with an average of 0.96% during the López Obrador administration (2018–24) (Figure 1). In 2025, growth expectations hover around 1.0%. Given the uncertainty created by Mexico's recent constitutional reforms and a new trade environment of U.S. tariffs, 2026 is likely to see low growth as well.[36]

The year may yet bring slightly higher growth, but the instability in the business environment will remain through 2026. If the U.S. economy's growth decreases under the weight of the Trump administration's economic and commercial policies, Mexico's economy will likely slow down further in 2026. Foreign investment is not likely to increase dramatically in 2026, and public investment, which has already fallen by over 29% this year from January to May, may fall further.[37] At the same time, remittances, which constituted over 3.5% of Mexico's GDP in 2024, have declined in 2025, and Mexican migrants are unlikely to send much additional cash in 2026, given President Donald Trump's accelerated mass deportation policy and the 1% remittance levy to take effect in December 2025.[38]

However, the silver lining in this economic scenario is a relatively strong export sector performance, which is likely to hold in 2026.[39] Prospects of stronger investment and growth will largely hinge on the resolutions and revisions included in the USMCA following its 2026 review.

### **Figure 1 –** GDP Growth Rates in the US and Mexico by Percentage, 1990–2026


**Source:** World Bank.
**Note:** Rates for 2025 and 2026 are authors' estimates.

The two key factors stalling economic growth in Mexico in 2026 are the country's institutional reforms and fiscal issues along with the Trump administration's evolving trade policy. The internal challenges Mexico faces include public insecurity, a weakening of the rule of law, the rollout of the new judicial system, rising levels of corruption, a fiscal deficit, a growing public debt, increasing pension and social program liabilities, Pemex's losses, and low public investment.

The central bank, or Banco de México (Banxico), will seek to stimulate growth by lowering interest rates, but this is unlikely to reactivate domestic demand and investment to the levels needed in 2026. Yet, inflation remains persistent, and Banxico's actions will be required to balance that. Even in an optimistic scenario, economic growth is likely to hover between 1.3% and 1.5% in 2026 (Figure 1). Additionally, the Trump administration's unstable trade policies with consequent uncertainty in global markets continue to shape Mexico's fiscal condition in 2026.[40] Next year's review and revision of the USMCA will also play a major role, especially given all the unknowns this process currently brings.

Given these circumstances, President Sheinbaum and the private sector presented the "Plan Mexico" on Jan. 13, 2025.[41] The goal is to boost economic growth and promote regional equity by attracting private investment in the coming years. However, given the current state of Mexico's fiscal policy, rule of law, and potential conflicts with U.S. policy, this program is not expected to be successful by 2026. The program itself contains economically advantageous policies but is unlikely to have the necessary capital to begin soon. Additionally, Mexico's 2026 Economic Package does not contain substantial funding for its component parts, thus further postponing any development strategies.[42]

In sum, no recession is anticipated for 2026, but if domestic consumption slows, the export sector softens, and remittances decline significantly, the Mexican economy could experience a significant slowdown in 2026.

# Public Finances

Among the factors creating headwinds for Mexico's economic outlook in 2026 is public finances, which have declined rapidly in the last five years.[43] The government's finances are on a path of increasing fragility and eventual unsustainability.

First, although government revenue has grown slightly, economic weakness and the informal economy have capped the collection rate. In fact, public spending has exceeded revenues since 2009, causing a continuous rise in public debt.[44] The largest rise occurred in 2024, an election year, and led to the largest deficit in 34 years at approximately 6% of GDP.[45] The government promised to reduce the deficit to 3.9% of GDP in 2025; however, this target is unlikely to be met.[46] Based on Banxico's GDP growth estimate for 2025, the approved deficit could increase as a proportion of GDP, given that the same debt will weigh more on an economy that will be smaller than expected.[47] In 2024, the Historical Balance of Public Sector Financial Requirements (SHRFSP), the broadest measure of public debt, reached 51.3% of GDP, its highest level in 25 years.[48] The government estimates this indicator will reach 52.3% of GDP in 2025, but it will likely rise to 53% by the end of the year and increase further in 2026.[49]

Second, despite key advantages, such as access to U.S. markets, the USMCA, a free-floating exchange rate, adequate foreign exchange reserves, and a substantial industrial base, public debt has increased.[50] This has also affected Mexico's credit ratings, which have lowered as the country's financial instability increases.[51] Moreover, the accumulated debt from previous years and new borrowing in 2025 have raised the cost of servicing public debt. In the first half of the year, interest payments amounted to 700 billion pesos, the highest level since 1990, and are expected to increase slightly for 2026.[52] Even further, since public finances have waned in recent years, the savings needed to respond to economic disruptions are nearly all spent.

Mexico's position in the international markets is exposed by a growing public debt and inefficient spending. Since 2019, Mexico has broken its self-imposed "golden rule": Borrowing should be at least equivalent to annual investment, so debt can be repaid with the income from its investments.[53] Instead, debt capital is spent on subsidies to state-owned companies (i.e., Pemex) that are not profitable, pensions and social programs, current spending, and cash transfer increases during election seasons. These fiscal decisions do not seem to be productive investments. It is concerning not only that part of the government's annual debt is used to finance current spending, but also that some of that debt is allocated to paying the cost of existing debt.

In 2026, Mexico is not at an immediate risk of losing its investment grade, which is the credit quality of a debt issuer. However, the country's risk perception — meaning the differential between sovereign bond rates and U.S. Treasury bond rates — is rising.[54] The previous López Obrador administration was characterized by rising debt and dissaving. It spent its contingency and other trust funds for science, education, infrastructure, disaster aid, etc., at a rate of 1.63% of GDP.[55] The Sheinbaum administration is following the same path with no strategy to change beyond cutting public investment, including investments that guarantee future growth. The challenges facing public finances are also compounded by slow GDP growth, stagnant GDP per capita, and persistently low productivity.

## *Revenue and Spending in 2025 Thus Far*

During the first half of 2025, government revenue grew by 3.4% when compared to the first half of 2024, but still fell 2.3% short of its target.[56] Government spending was 3.8% lower than in the same period of 2024 and 5.9% below the planned spending target for this year.[57] Thus, the government's financial capacity is at a minimum for the rest of 2025 and will continue to be so into 2026. Main budget cuts are focused on infrastructure investment. In the first half of 2025, infrastructure spending fell by 30.4% compared to the same period in 2024, the largest year-on-year drop since 1995.[58] This is not likely to improve in 2026.

## *Increased Rates of Public Spending*

Over time, public spending has increased, but its composition is not expected to drive development. This spending primarily comprised of social liabilities, especially pensions, cash transfer programs, subsidies, and public debt servicing. These expenditures have been shown to have little to no multiplier effect on economic productivity.[59] Subsidies to state-owned companies are also concerning. Spending on health, education, science and technology, and infrastructure has decreased. Overall, public spending of this kind is not promoting development.

## *Ineffective Tax Policy*

The composition of public revenues from taxes has shifted, with a substantial reduction in oil revenue from Pemex, which has practically disappeared. Since 2008, Mexico's oil exports income has fallen. Additionally, heavily indebted Pemex, which had 71% of its revenues transferred to the federal government in 2008, only provided 21% of its revenue in 2024.[60] Ultimately, most of these resources received by the federal government are transferred back to Pemex in the form of subsidies.[61]

The year 2026 will likely follow this same course. Now, non-oil tax revenue has increased, due to the 2014 tax increase.[62] However, tax collection remains relatively low because of a constricted taxpayer base, tax evasion, special value-added tax (VAT) and income tax regimes, and low property tax collection.[63] Thus, Mexico's large informal economy barely contributes to expanding the tax base.

# Fiscal Outlook for 2026

Mexico's fiscal state will remain constrained through 2026. Although economic growth may improve slightly, the country is undergoing multiple institutional reforms that are forestalling the establishment of clear, stable rules for investors. This will likely continue to limit investment and economic growth, while also constraining the tax base.

The 2026 Economic Package seeks to regain fiscal discipline by setting a target of 0.5% of GDP for the primary surplus through increased tax collection, particularly by combating tax evasion and increasing taxes on specific products, such as flavored drinks, alongside selective tax adjustments.[64] This proposed fiscal discipline is sought by stabilizing public debt around 52.3% of GDP, continued support for Pemex's debt, and reducing discretionary spending.[65] If achieved, this would generate positive signals for investors in 2026.

To improve the country's fiscal outlook, the government could implement the following:

- Increase taxes.
- Transform Pemex into a profitable company.
- Reform pensions to make current and future transfers sustainable.
- Improve federal tax collection capacity with initiatives that enhance liquidity in the short term.
- Seek to broaden the tax base in the medium term to include the informal economy.

This should include reforms to strengthen public finance at the subnational level, especially to collect property taxes effectively. No such plans seem to be in progress for 2026.

Another way to improve cash receipts is by promoting the collection of tax credits, which could be relatively easier following the judicial reform. The balance of tax credits receivable increased significantly from 2019 onward. In 2024, the accumulated balance reached 8.4% of GDP, 86% of which came from businesses and companies.[66] If a large part of this balance could be recovered, revenue collection could also be strengthened without the need for a tax reform. Importantly, the composition of tax credits has changed, and the percentage of taxpayers accepting them has decreased.[67] This implies a potential increase in tax litigation. In 2024, an amount equivalent to 0.29% of GDP was recovered, which is 3.5% of the total portfolio.[68]

In the coming years, spending on pensions and interest on debt will rise faster, putting pressure on Mexico's fiscal position. Without economic growth and additional taxes, achieving a balanced budget will depend on significant spending cuts, substantial revenue collection, and the end of subsidies to state-owned companies. Even if public fiscal hardships are avoided, Mexico will likely continue neglecting accumulated backlogs in health, education, infrastructure, and research and development in the future. If so, this would result in a stagnant economy and structurally low economic growth. The challenges of an aging population will also complicate the outlook.

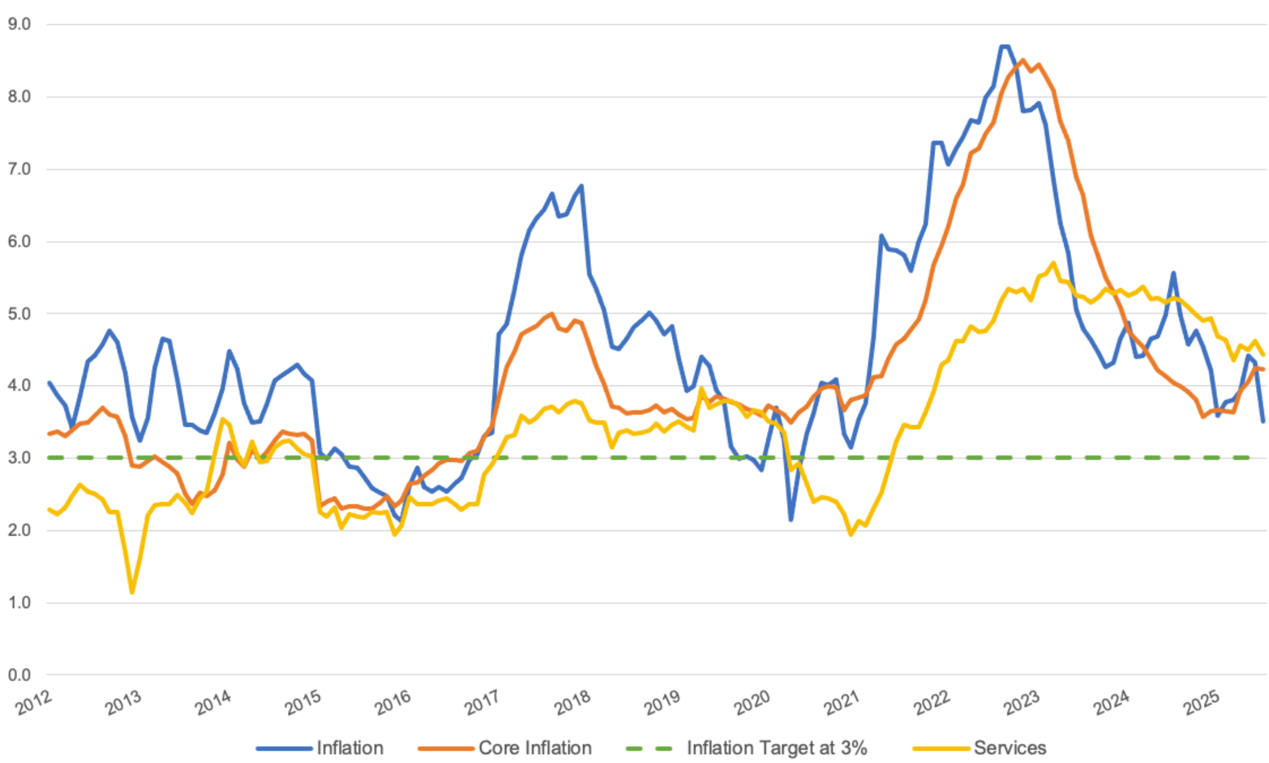
# Monetary Policy and Inflation

In 2025, Banxico entered a gradual phase of its easing cycle, given that headline inflation declined midyear. It could have room to continue reducing its benchmark rate and reach its 3% target by the third quarter of 2026. Given that the U.S. Federal Reserve will continue its monetary easing cycle and lower its benchmark rate, Banxico will also have an incentive to follow suit. Based on this report's estimates, the level of this rate will be 7.25% at the end of 2025 and could reach 6.25% or lower in 2026.

This monetary policy may change depending on the tariff-related inflationary pressures, the performance of the Mexican labor market, and domestic demand in the coming months. Hence, Banxico will seek to preserve flexibility on its monetary policy based on the evolution of those factors and the response of the Mexican economy.

Headline inflation has declined slightly in 2025 (still persistent) and is expected to reach 3.5% at yearend. In 2026, given market uncertainty and the performance of the Mexican economy, it will remain around 3.7% (Figure 2). Core inflation, which excludes food and energy commodities, has shown persistent stickiness in 2025, mainly due to the service sector, but is expected to change slightly and reach 3.6% by 2026. Inflation has remained and will likely remain sticky in 2026.

**Figure 2 —** Mexico's Inflation Rate by Percentage, January 2012–July 2025




**Source:** National Institute of Statistics and Geography (INEGI).

## Currency and Remittances

Given the trade policies within the USMCA, Mexico has been less affected than other countries by U.S. trade tariffs. This has helped avoid a sharp depreciation of the peso. The Mexican peso has shown resilience this year, but given the uncertainty in global markets, it has fluctuated without a definite trend, outperforming most emerging market currencies (Figure 3). As the interest rate differential between Mexico and the U.S. narrows and the Mexican economy continues to slow, the Mexican peso is expected to depreciate slightly later this year, hovering around 20 pesos per U.S. dollar and remaining so through the end of 2026.

**Figure 3 —** Monthly Average of the Peso Exchange Rate, 2008–25


**Source:** Banxico data through July 2025.
**Note:** The vertical axis indicates the average peso exchange rate per U.S. dollar.

Remittances have been a critical driver of Mexico's economy in recent years. According to this report's calculations based data from Banxico and the World Bank, this resource reached record highs in the past few years and represented around 3.5% of the national GDP.[69] However, this year the outlook has changed, mainly due to the mass deportation campaign orchestrated by the Trump administration.[70] In 2024, remittances reached a record high of $64.7 billion.[71] A comparison between the trend from January to June 2024 and January to June 2025 demonstrates a decrease in remittances from $31.3 billion to $29.5 billion. Given that, this report estimates that remittances are expected to reach $62.3 billion by the end of 2025. If this deportation policy continues in 2026, remittances could reach lower levels than $64 billion.

## Trade

The international trade system, underpinned by the U.S., is changing. Mexico, which built much of its prosperity on access to U.S. capital and consumer markets through the USMCA — previously the North American Free Trade Agreement (NAFTA) — is directly affected by Washington's new trade policies. The year 2026 will be marked by what the Trump administration will demand of Mexico under this new context.

## Mexico's and US' New Trade Policy

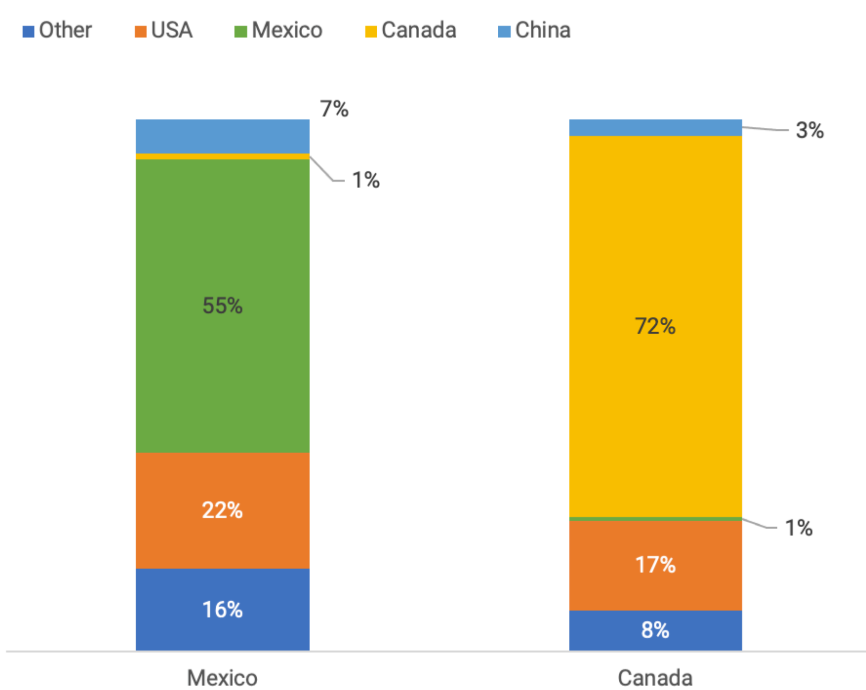
Mexico enjoys one relative advantage: Unlike other trading partners, it has received clear signals from the U.S. regarding its strategic priorities. These include controlling irregular migration at the southern border, stemming the flow of synthetic drugs, and preventing Chinese components from entering North American supply chains. In contrast to the more ambiguous terms shaping U.S. relations with allies, such as Canada, the European Union, or Japan, Mexico faces a more defined, albeit demanding, set of expectations. In 2026, the Trump administration is expected to press these demands, and Mexico is very likely to comply, judging from Sheinbaum's response to date.[72]

Throughout 2025 thus far, however, the U.S.-Mexico policy agenda has been primarily unidirectional, with Washington making its demands and Mexico complying. The lack of a permanent and multiple-issue binational dialogue injects an extra level of uncertainty into the investment climate. This seems to have led to a pullback in investment flows, including in new ventures and nearshoring initiatives, although some companies continue to reinvest earnings into their operations. Consequently, Mexico's monthly fixed capital formation index, published by the National Institute of Statistics and Geography (INEGI), has shown a marked decline since January 2025.[73] The year 2026 will likely continue to reflect this trend until at least midyear, when review and revisions of the USMCA are to be concluded.

## China and Bilateral Trade

China will be a major concern during the 2026 USMCA review and negotiation process. Currently, the USMCA does not prevent Chinese-owned firms operating in Mexico from benefiting from tariff exemptions, provided they comply with the agreement's rules of origin. Yet, Washington has repeatedly voiced concerns about the presence of Chinese inputs into North American supply chains and the rising tide of Chinese investment in Mexico.[74] In mid-September 2025, in response to pressure from the Trump administration, the Sheinbaum administration proposed increasing tariffs on car imports from China from 20% to 50%.[75] Next year, were the U.S. to demand restrictions on Chinese firms' access to the North American market, negotiations could veer into investment treaty territory, vastly complicating the scope and structure of USMCA talks (Figure 4).

**Figure 4** — Country of Origin in Exports From Mexico and Canada to the US by Percentage, 2023




**Source:** U.N. Trade and Development-Eora Global Value Chain Database.

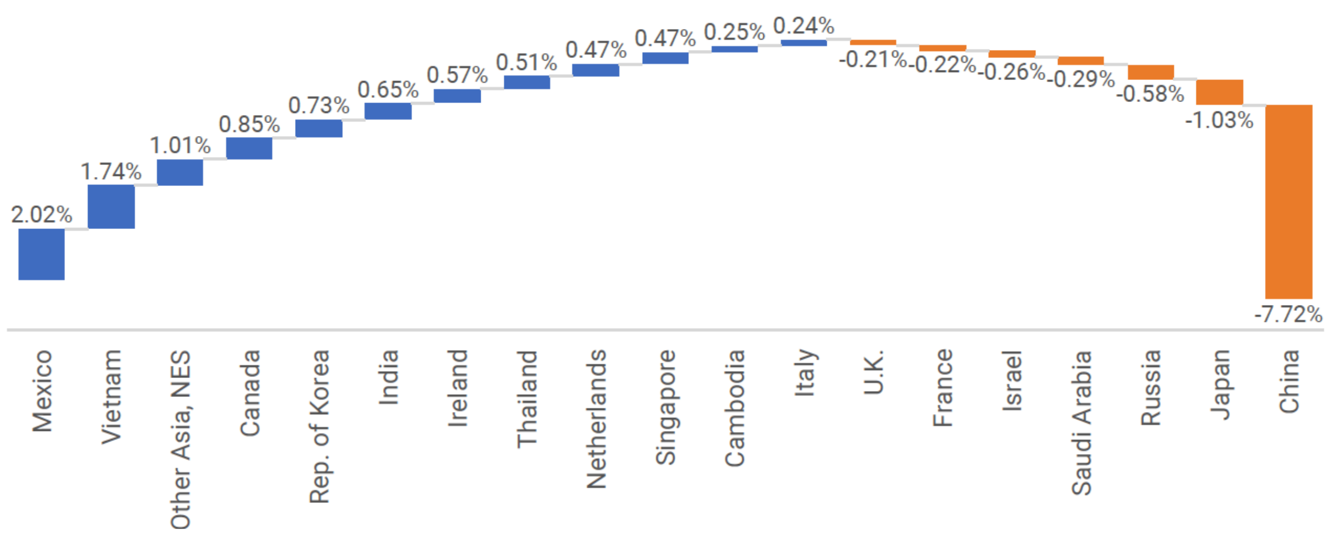
## *Canada's Place in the USMCA*

Also at stake will be the trilateral nature of the USMCA. In November 2024, Canada floated the idea of pursuing a bilateral trade deal with the U.S., potentially excluding Mexico.[76] American interests in Canada may also extend beyond trade, particularly in matters related to Arctic security and rare earth mining. Should these geopolitical concerns be bundled into the renegotiation, they could further entangle the process. Paradoxically, this may present Mexico with an opportunity to strike a bilateral deal with the U.S. more swiftly than Canada, raising the prospect that the trilateral framework could fracture. However, Canada and Mexico have expressed their interest in maintaining and improving the USMCA for the benefit of the North American region.[77]

# Nearshoring

The nearshoring phenomenon did not initiate a mass migration of firms from China to Mexico. Rather, it sparked a geographic diversification of global supply chains, as firms sought to mitigate overexposure to Chinese manufacturing. Mexico captured a share of the U.S. import market, but countries in Southeast Asia saw notable gains (Figure 5). This may indicate that despite Mexico's geographic proximity advantage, the USMCA, and favorable nearshoring opportunities given U.S.-China commercial contest, the country now faces much more focused competition from many other countries vying for investment.

**Figure 5** – Change in US Import Market Share by Country, 2017–23




**Source:** U.S. Department of Trade.
**Note:** The percentages illustrate the change of total U.S. imports from 2017–23.

Mexico's nearshoring paradox lies in the fact that, despite a challenging domestic business environment, the country is still a relatively attractive destination for global industry as the structural advantages mentioned above have not disappeared. Even so, Mexico has not attracted as much investment as analysts expected. The country's highly speculative environment due to significant constitutional reforms, MORENA-led government, and the Trump administration's tariffs may have caused investors to hold funds for a clearer outlook. Neither Mexico's natural advantages nor the sources of uncertainty will disappear in 2026, likely dampening appetites for investing in the country.

If, under the USMCA review and revision in 2026, Mexico maintains fairly solid market access to the U.S., equal to or better than its competitors, the country could benefit from additional investment. A case in point came in April 2025, when reciprocal tariffs were announced. Mexico's treatment was notably more favorable than that of China or Southeast Asia.[78] However, should the global trade system become more insular and protectionist, and should non-trade related demands on Mexico be unacceptable to the government, nearshoring could remain stalled.

A more tempered scenario would see Mexico retain preferential access only for industries with a high share of regional content, such as those in North America. In practical terms, this would limit tariff-free access to sectors already deeply integrated into existing supply chains, making it more difficult for new industries to emerge. Even new entrants in established sectors could strain to qualify for preferential treatment from the outset, as doing so would require sourcing exclusively from local suppliers, a tall order in most cases. Under such circumstances, Mexico could maintain its industrial base in the short to medium term, but long-term growth prospects would be dimmer.

A less optimistic scenario would involve the exclusion of entire industries, such as automotive, from a future renegotiated trade deal. Such an exclusion would structurally impair the national economy, forcing a substantially difficult overhaul of Mexico's industrial model. The consequences would be significant, diminishing both future growth and current income levels.

# Tariffs

## *Current Rates and Exemptions*

As of August 2025, Mexico's access to the U.S. market — the destination for 80% of Mexico's exports — was mixed compared to the treatment of most other countries under the Trump administration's tariffs, except for China.[79] While Mexican exports that comply with the USMCA rules of origins enter duty-free, exports that are not USMCA compliant pay 25%, with a threat of 30% if the U.S. and Mexico do not negotiate a better rate by this year's end.[80] In comparison, most other major trading countries have received a tariff rate of 15–20%.[81]

However, exports that previously faced minimal tariffs under the World Trade Organization now face steeper rates. In such cases, the Trump administration's policy allows a partial exemption: If at least 20% of a product's value is of U.S. origin, that portion may avoid duties.[82] Sector-specific tariffs, particularly on automobiles and steel, have also been introduced.

Currently, Mexico's automotive exports — both autos and their components — are subject to a 25% tariff. However, if the auto export's U.S. content exceeds 40%, the 25% tariff does not apply to the U.S. portion of its value.[83] The Mexican government estimates that this system will reduce the effective duty rate from 25% to about 15% for qualifying cars and SUVs.[84] However, the tariff rate varies across models, as it is based on the amount of U.S. content. For American auto producers operating in Mexico, this exemption could mean a significant reduction in the effective tariff rate.

Being the third-largest exporter of steel to the U.S. and a significant exporter of copper and aluminum, Mexico's metal sectors hold significant economic weight.[85] The current U.S. tariff policy has placed 50% worldwide duties on U.S. steel, aluminum, and copper imports, except for ore and refined copper.[86] If these rates are maintained into 2026, impacts on the Mexican economy could be substantial.

## *Implications*

As President Trump could modify U.S. tariff policy at any time — including rates to imports from Mexico — uncertainty in the market has risen, affecting foreign direct investment (FDI) into 2026. For example, Korea, Japan, and specific EU countries have historically been major investors in Mexico, particularly in the production of automotive goods and consumer electronics.[87] However, new FDI in Mexico are unable to make inform, long-term investment decisions, if access to the U.S. market is subject to unpredictable changes until 2029.

Altogether, quantifying the detrimental effects is difficult. Based on data from the International Monetary Fund, this report estimates that a flat 25% tariff on Mexican exports, with no exclusions, could reduce shipments by up to 20% and up to 2% of GDP.[88] Given that Mexico's average annual growth over the past two decades has been 1.7%, such a decrease in GDP would produce considerable effects.[89]

While ongoing negotiations suggest the scenario noted above is unlikely to materialize, Mexico is clearly navigating a more constrained and complex trade environment. A key unknown is how much of its export base exactly complies with the USMCA rules of origin.

In the longer term, the deep integration of supply chains across the U.S.-Mexico border renders the idea of decoupling impractical. Even if Washington's ambitions are to fortify domestic industries or reorder the global economy, the economic ties between Mexico and the U.S. are likely to endure. Still, without a formal agreement that offers legal and political certainty, those ties' exact development remains unclear.

## 2026 USMCA Review

While specific U.S. demands for the 2026 review remain unclear, U.S. Secretary of Commerce Howard Lutnick confirmed that Trump is expected to "renegotiate" the USMCA rather than conduct a review.[90] When the review occurs, Mexico can expect the U.S. to request or require the following:

- Modify the USMCA rules of origin with the aim of making Mexico's and Canada's production automotives and auto parts for the U.S. market less desirable.
- Continue efforts to reduce the U.S.' trade deficit.
- Place limits on Chinese investment with improved enforcement against transshipment of Chinese goods and imports of Chinese autos into Mexico.
- Discuss critical minerals and supply chains, digital services, and artificial intelligence technologies.
- Petition to resolve outstanding business issues affecting U.S. corporate interests.

## Foreign Investment

Attracting new FDI will likely be difficult in Mexico for the upcoming year.[91] This is, in part, a result of the uncertainty stemming from the Sheinbaum administration's constitutional reforms to restructure the judiciary, eliminate independent agencies, and other potential risks to Mexico's rule of law.[92]

Additionally, Chinese investment in Mexico has been increasing from a low level of around $3–4 billion in total with estimates varying widely from $3 to more than $20 billion, as Chinese firms seek a platform for exports to the U.S.[93] The most sensitive areas for security purposes are automotives and auto parts, including "connected" vehicle systems that could be used for espionage, along with semiconductors and chips.[94] While BYD, a major Chinese auto company, has postponed a facility planned for Nuevo León, such investment proposals and the Mexican government's reaction to them will continue to be carefully monitored by the Trump administration and members of U.S. Congress.[95] Substantial imports of Chinese automotives to Mexico, including those manufactured by Ford and General Motors in China, are also likely under watch by U.S. officials.

This increase in Chinese auto imports, while benefiting Mexican consumers, will continue to put pressure on Mexico's existing auto makers and their employees. This will particularly be the case for companies, such as Volkswagen, Kia, and Nissan, that assemble relatively inexpensive small cars yet cannot effectively compete with the low prices of BYD or other highly subsidized Chinese vehicles now being sold in Mexico.[96]

# V. Energy

Mexico's energy sector is at a critical inflection point. The country faces a growing disconnect between its stated ambitions — modernization, energy security, and climate leadership — and the institutional and policy frameworks currently in place. This gap has become increasingly visible as structural vulnerabilities inherited from past decades interact with new sources of external variability and demand-side pressure. Together, they create a system under significant strain.

## State-Controlled Energy

State-owned enterprises remain central to the government's energy strategy. Pemex and the Federal Electricity Commission (CFE) continue to receive preferential treatment, sustained by substantial public transfers and regulatory discretion. Pemex remains the most indebted oil company globally, with upstream decline and underperforming refining operations compounding its fiscal weight.[97] CFE maintains de facto control over transmission and distribution, while policy reforms have weakened competition in generation, often at the expense of lower-cost, cleaner private alternatives.[98]

Fuel theft [*huachicol*], both physical and fiscal, adds further pressure. Despite the high profile suppression of such theft in 2019, it has resumed, enabled by institutional weaknesses in enforcement and interagency coordination.[99] Fiscal fraud through falsified fuel invoices remains widespread, undermining public revenues and distorting market signals. These practices not only diminish the financial stability of Pemex but have also attracted attention from U.S. authorities who are concerned with cross-border security and criminal network financing.

## Investment Climate

Investor interest has slowed accordingly. Various companies' announcements to postpone their investment in Mexico or their efforts seeking to leave the Mexican market are evidence of this slowdown.[100] Spanish utility company, Iberdrola, for example, sold most of its generation assets in Mexico to a state-controlled investment vehicle, signaling a broader withdrawal of private capital from the sector.[101] The divestment followed years of regulatory uncertainty, litigation, and shifting policy signals. Although framed domestically as a move toward energy sovereignty, the exit raised concerns among international investors regarding legal predictability, the role of the state, and the investment climate in Mexico's power sector.[102]

This decline in investor confidence coincides with a sharp increase in Mexico's electricity demand, among other risk factors.[103] Nearshoring dynamics are driving industrial relocation to Mexico, especially in the automotive, electronics, and logistics sectors. In parallel, the expansion of energy-intensive infrastructure, such as data centers, has accelerated. However, the existing grid infrastructure is struggling to keep pace with this growth. Long permitting timelines, interconnection delays, and limited transmission capacity threaten to constrain new investment and diminish Mexico's competitiveness as a nearshoring destination.[104]

## US Relations

Mexico's reliance on U.S. natural gas introduces an additional layer of strategic vulnerability. Over 70% of the natural gas consumed in the country is imported from Texas.[105] While this has provided a reliable supply at relatively low cost, it exposes Mexico to geopolitical and climatic disruptions. The 2021 winter storm in Texas, which resulted in a sudden halt of cross-border gas flows, revealed the fragility of this arrangement. Since then, little has been done to build strategic reserves, diversify supply routes, or incentivize domestic production.

These structural pressures are now being compounded by changes in the geopolitical environment. The return of the Trump administration has reintroduced uncertainty in North American energy and trade relations. The Inflation Reduction Act, which has created new opportunities for regional cooperation in clean energy, is at risk.[106] Trade policy is becoming more transactional and part of a wider political agenda. For Mexico, the risk is not only reduced policy coordination with the U.S., but also exposure to new forms of energy-related leverage.

## Energy Transition

In the current environment, Mexico's energy transition remains incomplete. While public discourse affirms commitments to climate goals, progress on implementation has stalled. Clean energy's share in the electricity mix has declined in recent years, and permitting for new renewable projects has slowed.[107] Although Mexico plays an important role in automobile manufacturing, domestic electric vehicle (EV) adoption remains limited, partially due to insufficient charging infrastructure and a lack of regulatory coordination. Fiscal priorities continue to favor fossil fuel infrastructure over grid modernization or clean energy incentives.[108]

## Outlook

These trends — institutional vulnerabilities, rising demand, investor uncertainty, and geopolitical fragmentation — form the core strategic challenges facing Mexico's energy sector in 2026. Without reforms, the country risks a scenario in which outdated governance structures and fiscal rigidities prevent it from capitalizing on nearshoring, competing for climate-aligned investment, or responding to exogenous disruptions.

That said, the foundations for a different trajectory are in place. Mexico possesses vast renewable resources, strong industrial capabilities, and deep economic integration with the U.S. A recalibrated strategy that prioritizes regulatory certainty, modern infrastructure, market openness, and regional alignment could reposition the energy sector as a driver — rather than a constraint — on national development.

The key to this transition lies not in abandoning the state's role, but in redefining it: from primary operator to credible steward. Achieving this will require not only technical reform but also political clarity about the shortcomings of the current model and the costs of inaction in an increasingly competitive, climate-constrained, and geopolitically fragmented world.

# VI. Binational Relationship

As 2026 approaches, the binational relationship is likely to involve many more challenges. These will likely extend beyond migration, where Mexico was successful in satisfying Washington's need to stem the flow of asylum seekers. In 2026, Washington will continue to ensure that Mexico slows migration at the binational border. Additionally, security will be high on the U.S.' list of concerns, especially the issue of drug cartels and their fentanyl smuggling activities.

The 2026 review and revision of the USMCA, which has been discussed, will be one of Washington's top priorities, and the agenda is expected to be largely set by the Trump administration. It is also important to add that Washington appears considerably less interested in Mexico's diminishing democratic environment, as long as Mexico continues to cooperate with its main objectives. The timing of the USMCA review will coincide with the 2026 FIFA World Cup, offering an opportunity for North American leaders to showcase their cooperation and the region's global significance.

Importantly, water sharing agreements between Mexico and the U.S. will require attention, as current climate conditions are limiting water deliveries on both sides of the border. This challenge is key for the agricultural sectors of border areas and states, especially Texas.

# Security

## *Fentanyl Manufacturing and Trafficking*

Fentanyl smuggling will remain a key issue in the bilateral security agenda in 2026. President Sheinbaum's narrative, focused on preventing fentanyl overdose deaths in the U.S. and Mexico, has been instrumental in setting the conversation on this critical issue.[109] Even so, Mexico should anticipate increased fentanyl production in the country.[110] The elimination of the de minimis exception — allowing packages valued up to $800 to enter the U.S. with minimal paperwork and oversight — will likely shift the supply of precursors to Mexico.[111] Considering this and the threat that tariffs pose to the Mexican economy, Mexico has an opportunity to design and implement different metrics that measure drug policy success beyond seizures and reported high-level arrests.

## *Firearms Trafficking and the Foreign Terrorist Organizations Designation*

While the U.S. Supreme Court unanimously dismissed Mexico's lawsuit against U.S. gun manufacturers, the lawsuit filed in Arizona against gun stores remains active.[112] Notably, the opinion written by Justice Elena Kagan acknowledges there are unlawful sales of firearms to Mexican traffickers, and the core of Mexico's claim in Arizona centers on evidence of unlawful sales conducted by five stores in the state.[113] The outcome of the lawsuit will be relevant for the government of Mexico and, arguably, for other countries in the region seeking accountability from the U.S. gun industry.

Importantly, the silver lining of the U.S. designation of six Mexico-based criminal groups as foreign terrorist organizations (FTOs) could open the door for serious action against gun traffickers in the near future.[114] That is, U.S. legislation prohibits providing material support or resources to designated FTOs or to individuals or groups engaged in terrorist activities. Mexico could leverage the FTO designation to work with the U.S. government and prosecute gun traffickers who, under the designation, could be considered as supporting terrorist organizations.

The FTO designation on cartels is part of a broader U.S. strategy aimed at addressing not only fentanyl smuggling into the U.S. but also combating political corruption in Mexico and tackling immigration issues. Recently, the U.S. has revoked the visas of various Mexican politicians, including Baja California Governor Marina del Pilar Ávila and several mayors from Mexican border cities.[115] This multi-agency strategy places a strong emphasis on financial intelligence operations, which could impact different companies operating in Mexico.

In 2026, the U.S. government will likely continue to rely on this designation. Businesses should be aware of the legal, reputational, financial, and regulatory risks associated with this new determination. As noted, this designation prohibits providing material support or resources to designated FTOs, which have a significant presence across much of Mexico.[116]

## *Conflict in Sinaloa*

The kidnapping and subsequent arrest of Ismael Zambada, known as "El Mayo," in which Mexican authorities were not involved, has significantly increased violence in Mexico. The ongoing conflict has increased homicides and exacerbated disappearances.[117] In 2024, Sinaloa, for example, had a homicide rate of 33 per 100,000, well above the national average of 26 per 100,000 and double the rate for the Americas, which was 15 per 100,000.[118] It is expected that the rate for 2025 will be even higher, and this will continue into 2026 unless the Mexican government implements serious measures to combat organized crime. The upward trend in disappearances is a significant concern. In 2024, 5,584 people disappeared in Sinaloa compared to the 6,305 registered by May of 2025.[119] If direct action is not taken, there is no indication that this trend will ease in 2026.

The rift within the Sinaloa criminal organization has detrimentally impacted economic activity and lives in Sinaloa and beyond. Underscoring the futility of unilateral actions, Zambada's arrest has not disrupted the extralegal production of fentanyl. As of August 2025, no shortages or price increases have been reported in the San Diego-Tijuana region, one of the main trafficking corridors.[120] This trend is expected to continue through 2026, especially if the Mexican government's current strategy is maintained. The U.S. will likely increase pressure on Mexico to intensify enforcement against organized crime groups in Mexico.

### *US-Mexico Security Agreement*

The López Obrador administration ended the Merida Initiative in favor of the Bicentennial Framework for Security, Public Health, and Safe Communities. While both U.S. and Mexican authorities agreed to the framework, it was not implemented at an operational level.[121] Thus, that framework is essentially null. The Sheinbaum administration has publicly shared its intentions of concluding yet another agreement with the U.S. that covers security.[122] This time, however, it is expected to be nearly exclusively set on U.S. terms. Even so, it is unclear that such an agreement could be reached with the Trump administration, given the power asymmetry of the bilateral relationship.

## Water Sharing

The 1944 Water Treaty between the U.S. and Mexico established a vital legal framework to manage the shared waters of the Colorado River and the Rio Grande.[123] Originally designed to support agricultural growth and urban development, the treaty has underpinned binational cooperation for over 80 years. However, climate change, prolonged drought, and increasing water demands are now testing its resilience.[124] Also, widespread skepticism in both basins of Mexico's National Water Commission's (CONAGUA) assessments will further complicate adaptation efforts.[125]

On the Colorado River, the U.S. is required to deliver 1.5 million acre-feet of Colorado River water to Mexico annually per the 1944 treaty. The 2007 Interim Shortage Guidelines and the 2019 Drought Contingency Plan — which allocate water to nearly 40 million people across seven U.S. states and Mexico — are set to expire in December 2026. A new set of post-2026 operational guidelines is under negotiation amid expectations of substantial reductions for all users. These reductions are driven by diminished snowpack, increased evaporation, and declining inflows.[126]

In Mexico, approximately 80% of its Colorado River allocation is used for agriculture in the Mexicali Valley.[127] Many farmers lack modern irrigation infrastructure, and rising salinity levels are degrading both crop yields and soil health.[128] While Mexico has a record of negotiating equitable reductions in coordination with U.S. states, resistance from the agricultural sector is likely, especially as municipal supply is prioritized and tools for adaptation remain limited.

The Rio Grande faces similarly complex pressures. To follow the 1944 treaty's stipulations, Mexico is obligated to deliver 1.75 million acre-feet of water to the U.S. over each five-year cycle. The current cycle, ending Oct. 21, 2025, is expected to close with a shortfall of nearly 900,000 acre-feet.[129] Mexico's strategy for managing its portion of the basin — relying primarily on "spill" or "non-storable" water for treaty compliance — proved viable for decades. However, since the 1992–97 cycle, this approach has repeatedly fallen short, resulting in arrears or last-minute emergency transfers in all but one of the seven cycles.[130] The Conchos River Basin in Chihuahua, which supplies two-thirds of this water, is currently at its lowest level and, at present, does not have enough water to fulfill the treaty.[131] For Texas farmers, water from Mexico constitutes about one-third of their supply, and ongoing shortages — combined with a decline in U.S. sources — impend regional agricultural viability.[132]

Nationwide drought conditions in Mexico, including in cities such as Mexico City and Monterrey, strain the federal government's capacity to respond to both domestic and international water challenges.[133] An important change in water management is needed.

These issues have led to civil unease and are not only technical but also diplomatic. The inability to fulfill water deliveries could lead to weakened trust and cooperation between nations. Yet, with transparency, data-driven negotiation, and treaty-based governance, the U.S. and Mexico can continue to find shared solutions to sustain their communities and ecosystems in the face of intensifying water stress.

## 2026 FIFA World Cup

The most popular tournament in the world comes to North America next year. Mexico, Canada, and the United States will host the 2026 FIFA World Cup, with games taking place in 16 cities across the three countries. The tournament is watched by billions of viewers worldwide, offering international audiences a chance to learn more about the culture, infrastructure, and modernity of these nations. This event presents an immense opportunity to demonstrate how the leaders of these three countries can collaborate and showcase the diverse opportunities that North America, as a region, offers to the world.

It is likely that the 2026 World Cup, scheduled from June 11 to July 19, 2026, will coincide with the review or renegotiation of the USMCA, set to formally begin on July 1, 2026. This timing could influence the political will and media attention of the three countries. Additionally, this tournament will generate a positive economic impact for the region; in Mexico's case, it will generate around $3 billion, with tourism revenue exceeding $1 billion.[134]

# VII. Conclusion

In 2026, Mexico's current trajectory is not expected to change significantly. The main factors influencing its course can be divided into domestic and foreign.

Primary factors in the domestic arena include:

- Slow economic growth is likely to continue.
- Private and foreign investment will not increase substantially.
- Pensions and other social programs will continue to stretch the country's fiscal position.
- Public debt is expected to persist on its upward path, consuming an ever-greater portion of the federal budget in the future.
- Investment in the energy sector, human capital, research and development, and civil infrastructure — all essential to ensure longer-term growth — will likely remain stagnant or even decrease.

Additionally, various political and fiscal aspects are expected to complicate the investment environment in Mexico: a growing opacity around the generation of national data and statistics, the end of the independent regulatory agencies, the imbalance of executive power across the legislative and judiciary branches, a potential weakening of freedom of speech and the press, and lack of structural improvements on security and the rule of law. Finally, the opposition will likely continue to be largely fragmented and unable to effectively articulate an alternative vision for the country.

On the international front, Mexico's foreign policy will be predominantly focused on responding to Washington's initiatives. In 2026, the relationship will be characterized by increasing pressure from the

Trump administration on three fronts: stemming the flow of migrants toward the U.S.-Mexico border, granting access to U.S. operatives to combat drug cartels on Mexican territory, and renegotiating the USMCA's trade stipulations. In terms of law enforcement, the Sheinbaum administration has largely complied with some demands thus far in 2025, such as the transfer of 26 alleged cartel members to the U.S.[135] However, the pressure to implement joint operations on Mexican soil will continue.

Further for binational relations, Mexico is likely to face:

- Table of trade tariffs, which will exceed minimal percentages.
- Higher North American content, which will increase Mexico's dependence on access to U.S. markets in the long run.
- Formal mechanism, likely in the revised USMCA, which will limit China's economic activities in Mexico.

It is not clear if Washington will demand additional changes to Mexico's energy sector, procurement processes, and investment protection measures. A final lateral issue that will be important in 2026 are the water sharing negotiations, which are key to Texas.

In sum, the year 2026 promises to be another complex year for Mexico's domestic and foreign policy landscapes. The country will hold steady, but not necessarily experience improvement in its political, economic, regulatory, or social conditions.

# Notes

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