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U.S.-Mexico Trade Relations

The 119th Congress is engaged in a range of legislative and oversight activities related to trade policy toward Mexico, which in 2025 was the largest U.S. trading partner in total trade (exports plus imports) of goods and services. Mexico's proximity to the United States and the extensive bilateral trade and investment relationship under the North American Free Trade Agreement (NAFTA) and its successor, the U.S.-Mexico-Canada Agreement (USMCA), make it a focus of congressional attention. The United States shares strong trade and investment ties with Mexico; changes in economic conditions or bilateral commitments could have impacts on production patterns, investment, employment in both countries, as well as on regional economic competitiveness. Congress may consider whether, and if so how, to exercise its constitutional authority to shape U.S. trade policy with respect to Mexico, particularly regarding ongoing bilateral negotiations related to the review of USMCA. In its oversight role, Congress also may assess economic cooperation with Mexico in areas including regional economic competitiveness and security.

Mexico's Economy

Mexico has a population of 132 million people, making it the most populous Spanish-speaking country in the world and the third-most-populous country in the Western Hemisphere. Mexico is the second-largest economy in Latin America (after Brazil). Mexico's real gross domestic product (GDP) grew by 0.6% in 2025 and is forecast to grow by 1.5% in 2026 and 1.7% in 2027. Mexico's GDP was \$1.8 trillion in 2025, compared to the U.S. GDP of \$31.7 trillion. Per capita GDP in Mexico was \$13,874 in 2025, compared to \$88,612 in the United States. Mexico's per capita GDP is relatively high by global standards, within the World Bank's upper-middle income category. Mexico's economy has demonstrated resilience amid uncertainty related to higher U.S. tariffs and U.S. trade policy. The country has an open economy with 13 reciprocal free trade agreements (FTAs) covering more than 50 countries, including the United States under the USMCA.

Sources: Economist Intelligence Unit (EIU) View, accessed by CRS on April 8, 2026; U.S. International Trade Administration.

U.S.-Mexico Trade

In 2024, Mexico surpassed Canada as the top U.S. trading partner in goods and services, and in 2025 maintained this position, with \$976.1 billion in total goods and services trade (exports plus imports) with the United States.

Trade in Goods

Trade in goods between the United States and Mexico has increased exponentially since NAFTA entered into force in 1994, with U.S. imports from Mexico increasing faster than U.S. exports to Mexico. The U.S. trade balance in goods with Mexico went from a surplus of \$1.7 billion in 1993

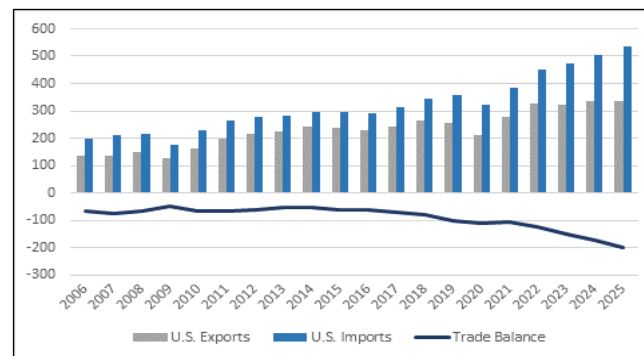
(the year before NAFTA entered into force) to a deficit of \$171.5 billion in 2025. In comparison, the 2025 U.S. trade deficit with China was \$295.5 billion.

Mexico was the top U.S. trading partner in goods in 2025, with total goods trade valued at \$872.8 billion, followed by Canada and China. The United States is Mexico's largest trading partner, accounting for 60% (\$752.0 billion) of Mexico's 2024 total trade in goods (latest data available). Historical data shows that Mexico relies heavily on the United States as an export market; about 80% of Mexico's exports are sold in the United States.

Mexico ranked second, after Canada, among markets for U.S. goods exports in 2025. U.S. goods exports to Mexico increased from \$134.2 billion in 2006 to \$337.9 billion in 2025, a 150% increase (**Figure 1**). U.S. goods exports included computer equipment (\$34.6 billion), petroleum and coal products (\$28.5 billion), motor vehicle parts (\$24.8 billion), semiconductors and electronic components (\$17.2 billion), and electrical equipment (\$13.2 billion).

Figure 1. U.S.-Mexico Goods Trade 2006-2025

Current U.S. \$ in billions



Source: U.S. Census Bureau, accessed on Trade Data Monitor.

Mexico ranked first among suppliers of U.S. goods imports in 2025, followed by China and Canada. Imports from Mexico increased from \$198.2 billion in 2006 to \$534.8 billion in 2025 (170% increase). Imports included computer equipment (\$90.8 billion), motor vehicles (\$84.4 billion), motor vehicle parts (\$67.3 billion), electrical equipment (\$30.0 billion), and medical instruments (\$14.7 billion).

Services Trade

The United States had a surplus in services trade with Mexico of \$8.4 billion in 2025, compared to a surplus of \$5.3 billion in 2024. U.S. services exports to Mexico increased from \$22.5 billion in 2006 to \$52.4 billion in 2025, while imports increased from \$15.6 billion to \$44.0 billion during the same time period. Services trade largely

consisted of travel, transportation, business, and financial services.

Bilateral Foreign Direct Investment

Foreign direct investment (FDI) is an integral part of the economic relationship between the United States and Mexico. After NAFTA implementation in 1994 and Mexico's unilateral liberalization of its foreign investment policies in the late 1980s and early 1990s, U.S. FDI in Mexico increased rapidly. Between 1999 and 2025, the stock of U.S. FDI in Mexico increased from \$37.2 billion to \$169.8 billion, an increase of 356%. The United States holds the largest stock of FDI in Mexico. Mexico's FDI stock in the United States increased from \$2.0 billion in 1999 to \$48.8 billion in 2025. According to Mexican government data, the United States was the largest source of FDI flows to Mexico in 2024, accounting for approximately 40% (\$16.5 billion) of the total (\$36.9 billion). Other top sources of FDI included Japan (\$4.3 billion), Germany (\$3.8 billion), Canada (\$3.2 billion), and the Netherlands (\$1.8 billion). China was the 10th-largest source of FDI inflows, accounting for about \$710 million in 2024. FDI inflows to Mexico largely were in the automotive and manufacturing sectors.

U.S.-Mexico Supply Chains

Some economists credit NAFTA/USMCA with strengthening the competitiveness of U.S. manufacturing industries, especially the U.S. auto industry, through the development of North American supply chains. A significant portion of merchandise trade between the United States and Mexico occurs in the context of production sharing, as manufacturers in each country work together to create goods. The flow of intermediate inputs produced in the United States and exported to Mexico and the return flow of finished products greatly increased manufacturing activity along the U.S.-Mexico border region. An automobile produced in the United States, for example, can have thousands of parts that come from different U.S. states and various Mexican or Canadian locations.

U.S. Tariff Policy

Certain U.S. imports from Mexico are subject to tariffs of varying rates under Section 232 of the Trade Expansion Act of 1962, including imports of autos and auto parts, steel, aluminum, and copper. In February 2026, following a Supreme Court decision that invalidated tariffs imposed in 2025, the Administration initiated two investigations into dozens of economies under Section 301 of the Trade Act of 1974 into (1) excess industrial capacity and (2) the enforcement of a ban on imports of goods made with forced labor. In the latter investigation, the U.S. Trade Representative found that Mexico has failed to enforce such a ban and imposed a 10% tariff on imports from Mexico, effective July 24, 2026. USMCA-compliant goods are exempt from the tariff. The excess industrial capacity investigation is ongoing and may result in additional tariffs on imports from Mexico.

NAFTA and the USMCA

On July 1, 2020, USMCA replaced NAFTA. NAFTA included provisions on elimination of tariff and nontariff barriers, customs procedures, procurement, investment,

services, temporary entry for business persons, intellectual property rights protection, and dispute resolution.

USMCA retains most of NAFTA's provisions, while making notable changes to rules of origin for motor vehicles, worker rights and enforcement, market access for agriculture products, rules on investment, government procurement, IPR, and environment. USMCA also added new provisions on digital trade, state-owned enterprises, and currency misalignment. USMCA maintains a state-to-state mechanism for dispute settlement, as well as a binational dispute settlement mechanism to review trade remedy disputes. It maintains an investor-state dispute settlement (ISDS) mechanism only between the United States and Mexico—intended to address disputes related to government contracts in oil, natural gas, power generation, infrastructure, and telecommunications sectors—which was a priority for U.S. investors in Mexico. It also maintains U.S.-Mexico ISDS in other sectors if the claimant exhausts national remedies.

USMCA Article 34.7 states that the parties should meet on the sixth anniversary of USMCA's entry into force (July 1, 2026) to review the agreement and determine whether to continue the USMCA. At the joint review meeting, the United States declined to renew USMCA in its current form, while Mexico and Canada announced their desire to renew the agreement. USMCA remains in effect through 2036 and is now subject to annual reviews until it is renewed or expires. The United States and Mexico are engaged in bilateral negotiations related to the joint review, with a fourth round of negotiations scheduled for September 2026. Bilateral negotiations have included discussions on economic security, including strengthening regional supply chains; steel and aluminum; and modifying rules of origin in industrial sectors including autos.

Issues for Congress

Congress may monitor U.S.-Mexico trade policy and the overall bilateral economic relationship, especially as it relates to USMCA and U.S. economic interests. Members may consider whether and how to engage in consultations with the Administration on USMCA, and with what priorities and objectives. The USMCA Implementation Act includes congressional consultation requirements leading up to and following the joint review. Some Members have indicated they view NAFTA/USMCA as vital for U.S. firms, workers, and farmers, and beneficial to U.S. economic interests. Others have expressed concern over enforcement of the agreement on issues such as worker rights, investor-state dispute settlement, and auto rules of origin. Congress also may consider oversight of other bilateral issues including U.S. tariff policy toward Mexico.

Note: M. Angeles Villarreal, former CRS Specialist in International Trade and Finance, contributed to this In Focus.

Danielle M. Trachtenberg, Analyst in International Trade and Finance

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