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CHINA'S PRESENCE IN MEXICO'S AUTO SECTOR:

What's at Stake for Mexico?

Margaret Myers and Yifang Wang

Margaret Myers is senior advisor to the Asia and Latin America Program at the Inter-American Dialogue. Yifang Wang is a program associate for the Asia and Latin America Program.

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EXECUTIVE SUMMARY

Beyond the United States-Mexico Canada Agreement (USMCA) review, growth in Chinese auto sector investment in and trade with Mexico raises important considerations for Mexico, especially as the country looks to boost industrial capacity in automotive and other industries through Plan México. There is value inherent in inward in China's auto sector foreign direct investment (FDI) in Mexico, but absent purposeful policymaking and tracking by Mexican officials, the activities of Chinese OEMs and parts companies could have negative consequences in the longer-term for Mexican industrial capacity and competitiveness.

This report is an effort to detail key developments and likely future trends in Chinese engagement within Mexico's automotive industry. It also considers the various implications for Mexico of recent Chinese commercial activity.

Two parallel stories emerge upon careful examination of Chinese activity in Mexico's auto sector.

- The Assembly Story: Chinese auto manufacturing in Mexico remains relatively limited to date, despite some high-profile announcements of possible Chinese deals. Among the few Chinese OEMs operating in Mexico, there is scant evidence of localization. Seven are dedicated solely to boosting Chinese vehicle exports to Mexico through the establishment of dealerships and strategic partnerships across the country. The four Chinese companies that produce vehicles in Mexico are narrowly focused on basic assembly, relying heavily on imports from China of components. The continued prioritization of basic assembly, fed by imports of Chinese parts, kits, and vehicles ensure that most jobs and overall economic benefit stay in China.

- The Parts Story: Another, parallel story is of Chinese auto parts companies, which have established in Mexico at an accelerated pace since 2012. Thus far, and accounting for discrepancies in public data on Mexico's inward FDI, Chinese parts manufacturers have played a more prominent role in the Mexican auto sector than China's carmakers, whether in terms of foreign direct investment or trade. Like Chinese OEMs, Chinese parts companies in Mexico also rely rather heavily on imports from China. Chinese auto parts companies in Mexico imported nearly $2 billion in goods from China in 2024.

Chinese exports, whether of assembled vehicles or parts, feature increasingly prominently in Mexico's auto sector. At this juncture, Chinese companies appear to be favoring direct auto and parts export to Mexico over production in the country, even amid growth in both categories.

Implications for Mexico

Looking ahead, Mexico will need to continue weighing the relative value it derives from Chinese OEM and parts company investment and trade, especially at a moment when Chinese investments and trade are center stage in U.S.-Mexico relations.

As Mexico advances its own development priorities, there is also value in reviewing and analyzing the benefits and drawbacks of Chinese auto sector and other investments, regardless of U.S. concerns. Mexico will benefit from ensuring that its investors are committed to helping the country achieve its industrial objectives, whether as outlined in Plan México or articulated by local governments. Policies promoting of technology acquisition will also be critical for Mexico's development.

On trade, there is room to think about regional tariffs that carve out China's role in the North American auto sector—creating space for local industrial development, while noting the essential role that Chinese parts have come to play in global auto supply.

Unless these or other steps are taken to protect and cultivate local industry, there is some risk that Mexican manufacturers will be unable to compete within new energy and other value chains.

Introduction

In recent years, there has been much speculation about the nature and extent of Chinese economic engagement with Mexico, including within the country's vast automotive sector, which accounted for 4.6 percent of global automotive production in 2024.[1] China has featured in Mexico's trade and investment landscape for decades, but with growing intensity, as Chinese companies navigate shifting global trade and investment dynamics and as China's leadership promotes an increasingly export-led growth agenda, with greater emphasis on markets in the Global South.

Amid these developments, the U.S. government has raised concerns about the extent of Chinese economic engagement with Mexico, especially if the intent of Chinese companies is to bypass U.S. trade restrictions on Chinese goods. These concerns have spanned administrations, and are bound to feature prominently in the 2026 review of the United States–Mexico–Canada Agreement (USMCA), a critical driver of and platform for supply chain integration within the North American market.

Beyond the USMCA review, growth in Chinese auto sector investment in and trade with Mexico raises important considerations for Mexico, especially as the country looks to boost industrial capacity in automotive and other industries through Plan México, Mexican President Claudia Sheinbaum's vision for sustainable growth and national prosperity. There is value inherent in inward in China's auto sector foreign direct investment (FDI) in Mexico, but absent purposeful policymaking and tracking by Mexican officials, the activities of Chinese OEMs and parts companies could dampen Mexican industrial capacity and competitiveness.

This report is an effort to detail key developments and likely future trends in Chinese engagement within Mexico's automotive industry. It also considers the various implications for Mexico of continued Chinese auto sector involvement.

Two parallel stories emerge upon careful examination of Chinese activity in Mexico's auto sector.

China's Involvement in Mexico's Auto Sector

Two parallel stories emerge upon careful examination of Chinese activity in Mexico's auto sector.[2] The first is of the evolution of Chinese auto manufacturing in Mexico, which remains relatively limited to date, despite some high-profile announcements of possible Chinese deals in recent years.

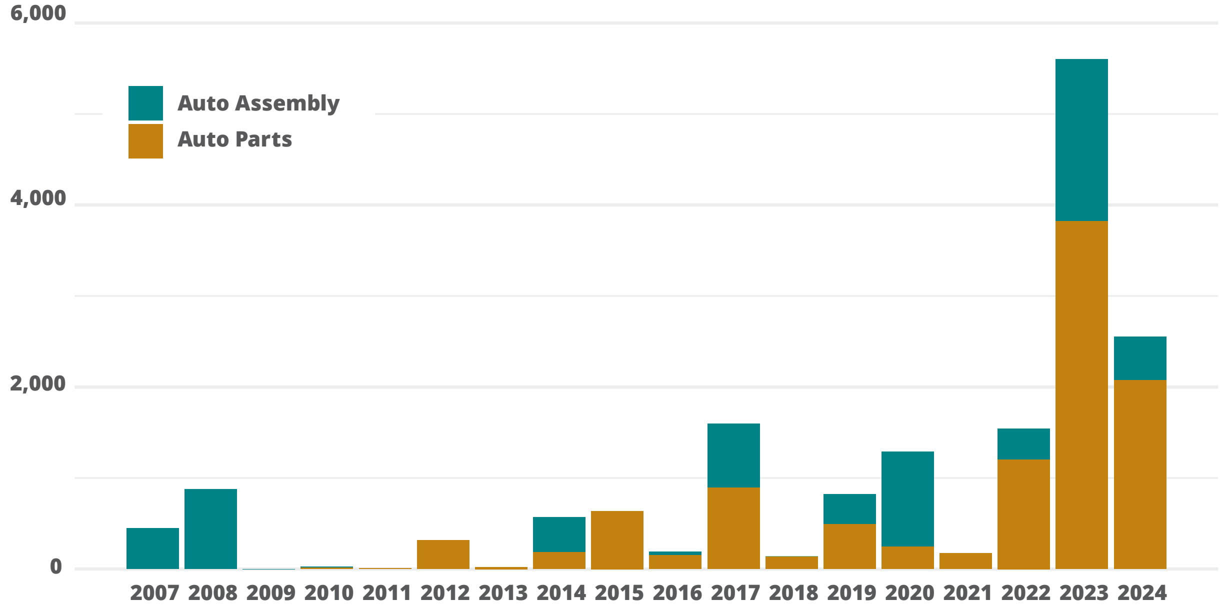
So far, at least, the handful of Chinese Original Equipment Manufacturers (OEMs) that have established in Mexico is mainly focused on domestic sales of commercial vehicles and specific types of light vehicles (e.g., cars and pickup trucks). Moreover, those few that assemble in Mexico (rather than simply importing and selling vehicles in showrooms, for instance) are focused only on basic assembly, with little evidence of localization, or the cultivation of the sort of local supplier ecosystems on which other international automobile OEMs in Mexico have come to rely. According to our analysis of publicly available trade and investment data (see our methodology on page 12), Chinese OEMs in Mexico also rely heavily on the importation of cars and often-preassembled parts, consistent with China's broader efforts to create new markets across the Global South for Chinese high-end manufactured goods.

The other, parallel story is of Chinese auto parts companies, which have established in Mexico at an accelerated pace since 2012, while also exporting to Mexico at soaring rates—the effect, as in other industries, of their competitive pricing. As Rhodium Group has noted, China's subsidies, price and technical advantage, and overcapacity in parts of the industry keep Chinese vehicles and components cost-competitive.[3] Those Chinese parts companies that have invested in Mexico are often navigating trade uncertainties by following or moving closer to the international companies they supply, many of which have established in Mexico over time to benefit from USMCA provisions.

Taken together, these developments have led to relative growth in Chinese engagement with the Mexican auto market in recent years. Announcements of possible new deals have surged, including from major Chinese OEMs, such as BYD,[4] Great Wall Motors (GWM,)[5] and Chery,[6] as indicated in Figure 1, even though only a percentage of these have materialized to date. According to FdiMarkets data, while auto sector announcements reached $5.6 billion in 2023, actual Chinese investment totaled only $715 million that year, less than during the 2016-2017

FIGURE 1. TOTAL ANNOUNCEMENTS OF CHINESE AUTO PARTS AND ASSEMBLY FDI IN MEXICO BY YEAR, JUNE 2007–AUGUST 2024 (USD MILLIONS)

Source: FDIMarkets and author calculations.



trade war, when Chinese auto sector deal-making appears to have peaked.

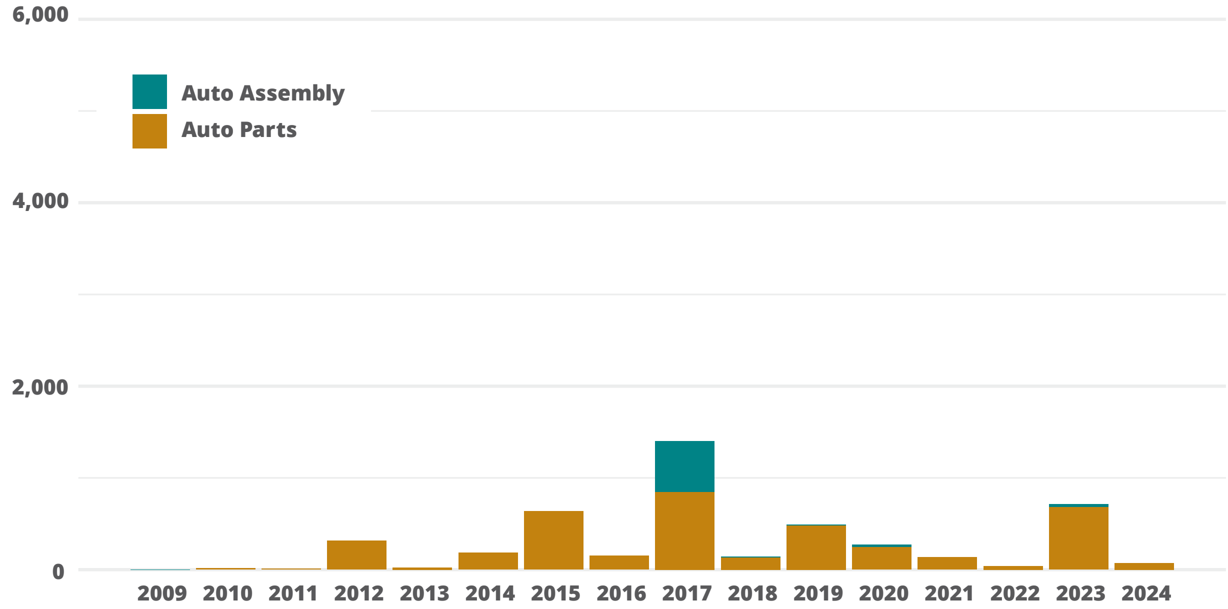
A lack of Mexican shelter company data and other accounting challenges preclude definitive measures of inward FDI to Mexico, but publicly available data, author analysis of on-the-ground projects, and insights from author interviews still suggest a considerable degree of deal-making, though mostly by China's parts companies, rather than by its major vehicle manufacturers, as noted in Figure 2. Chinese entities in Mexico occupy twice as much industrial space as they did three years ago, according to property analytics company SiiLA.[7]

Chinese exports, whether of assembled vehicles or parts, also feature increasingly prominently in Mexico's auto sector, even as global growth in Chinese vehicle exports slows.[8] In 2024, imports of Chinese auto parts accounted for 14.1 percent ($12.7 billion) of total Mexican imports from China.[9] According to data from Japanese company MarkLines, which maintains an automotive industry portal, China's heavy and light vehicle sales in Mexico, which include those assembled in Mexico and vehicles exported to the country from China, accounted for about 13 percent of Mexican auto sales 2024, with just over 138,000 units sold that year (see Figure 3).[10] Mexico's National Institute of Statistics and Geography (INEGI) similarly noted an increase in mostly-imported light vehicle sales (e.g., cars, SUVs, and pick-up trucks) by Chinese automakers.[11] Sales of light vehicles by Chinese automakers accounted for 9.7 percent of the Mexican market in 2024—a sizeable increase from their 0.5 percent market share only five years ago.

Chinese exports, whether of assembled vehicles or parts, feature increasingly prominently in Mexico's auto sector.

FIGURE 2. ACTUALIZED CHINESE AUTO PARTS AND ASSEMBLY INVESTMENTS IN MEXICO BY YEAR, JUNE 2007–AUGUST 2024 (USD MILLIONS)

Sources: FDiMarkets and author calculations.



The Assembly Story

A total of eleven Chinese automobile manufacturers has entered the automobile market in Mexico to date. These include Geely Holdings Group, which acquired Volvo in 2010; Great Wall Motors (GWM); Chery; Anhui Jianghuai Automotive Group (JAC); Beijing Auto Group (BAIC), which owns Foton and other brands; First Automotive Works (FAW) Jiefang, the oldest state-owned car company in China, established in 1953; Changan Automobile Group; Jiangling Motors; Shanghai Automotive Industry Corporation (SAIC); Yutong; and Shacman.

Of these Chinese carmakers, only four—JAC, Beijing Auto Group (Foton), FAW Jiefang, and Shacman—are involved in manufacturing or assembly in Mexico. The others have established dealerships, built warehouses, or forged partnerships to facilitate the importation of cars directly from China. In addition to producing heavy commercial vehicles, JAC is the only Chinese company currently assembling light vehicles in Mexico, including pickup trucks and cars, which are sold in the Mexican market, according to INEGI data.[12] Beijing Auto Group, FAW Jiefang, and Shacman maintain assembly lines in Mexico, but only produce heavy commercial vehicles, such as large trucks and buses—again for the Mexican market, mostly.

In terms of overall production, JAC is the most prolific of the Chinese OEMs in Mexico, having assembled over 25,000 heavy and light vehicles in 2024—far more than other Chinese carmakers.[13] Its position is still relatively limited, however. Based on data from INEGI, Chinese OEMs (or JAC, in this case, as the only Chinese producer of light vehicles in Mexico) accounted for 0.6% of all light vehicles produced in Mexico in 2024, a slight increase from its 0.03% share upon JAC's establishment in Mexico in 2017.

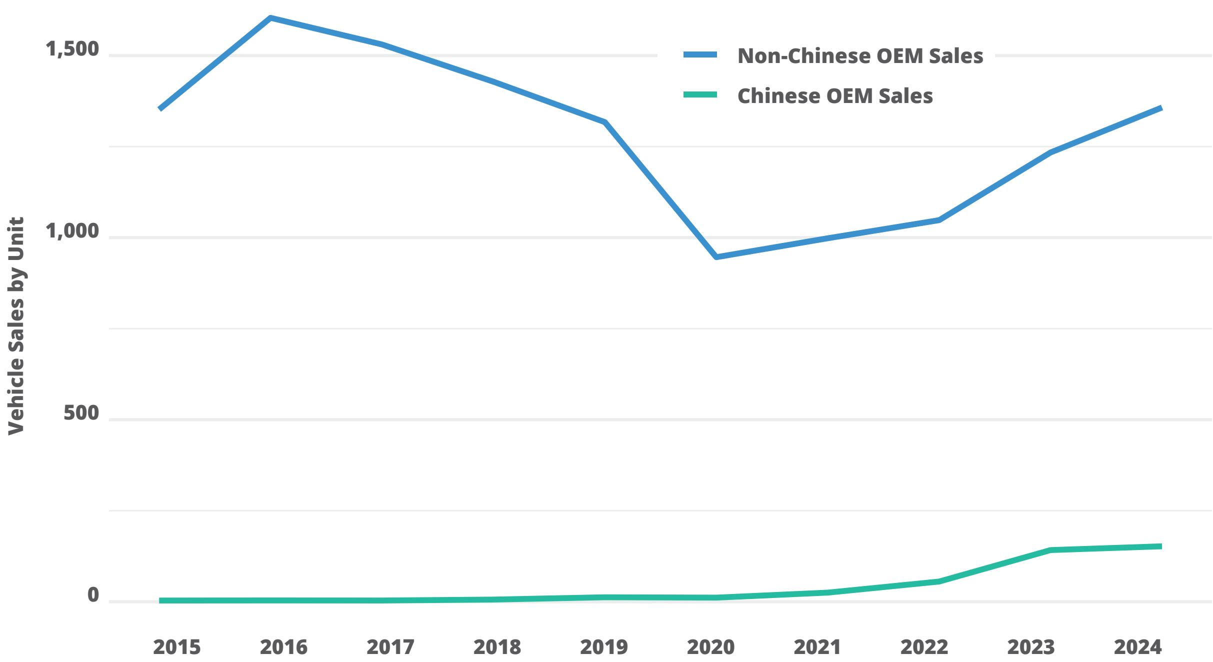
China's position in heavy vehicle production in Mexico is more pronounced. Based on Marklines data on JAC, Foton, and Shacman assembly, these companies' combined production in Mexico of light and heavy vehicles has grown significantly over time, starting around 2019, with light trucks accounting for most of that total (see Figure 4).

Made in China, Assembled in Mexico

There is scant evidence of localization by the eleven Chinese OEMs operating in Mexico. Seven of these eleven are dedicated solely to boosting Chinese vehicle exports to Mexico through the establishment of dealerships and strategic partnerships across the country. Moreover, the four Chinese companies that are producing vehicles in Mexico would appear to be narrowly focused on basic

FIGURE 3: TOTAL VEHICLE SALES (EXPORTS AND LOCAL PRODUCTION) TO MEXICAN CONSUMERS, 2015–2024 (THOUSANDS OF UNITS)

Source: Author calculations using Marklines data.



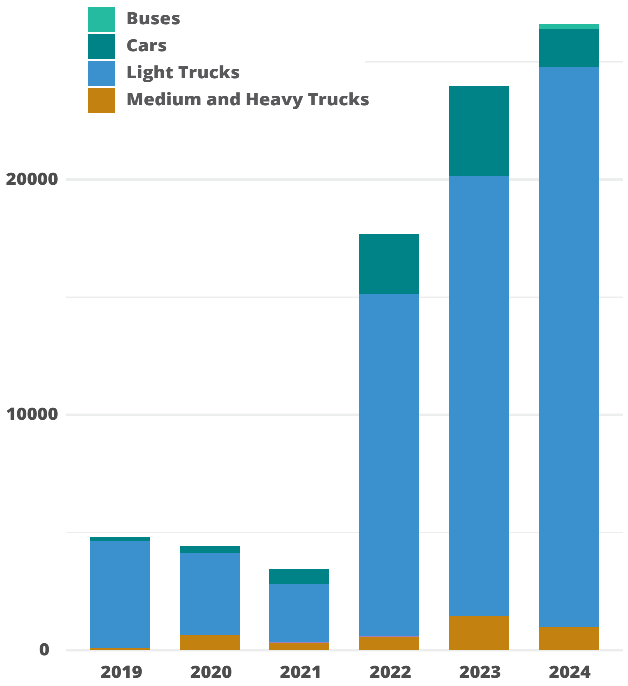
assembly, relying heavily on imports from China of vehicle components (see Figure 5).

In this sense, Chinese OEM operations in Mexico differ considerably from the models employed by major U.S. and other international OEMs, which have often prioritized the development of supply chains within the Mexican market, integrating local suppliers. Local economies still likely extract benefit from Chinese assembly activity, including the creation of new jobs, such as the 1,360 direct and indirect jobs expected from JAC's 2024 expansion in Hidalgo, according to JAC estimates.[14] But, to date, Chinese OEMs remain overwhelmingly focused on facilitating Chinese commercial vehicle, light vehicle, and parts exports to the Mexican market, whether through assembly and sales in Mexico or direct exportation to Mexico of parts and finished vehicles.

Beijing Auto Group (BAIC), which owns the Foton brand, has partnered with Mexican state-owned enterprise LDR Solutions to sell and assemble heavy commercial vehicles for the Mexican market. According to Chinese consulting firm iResearch, BAIC's approach to the Mexican market is consistent with a strategy implemented by many Chinese

FIGURE 4. JAC, FOTON, AND SHACMAN VEHICLE ASSEMBLY IN MEXICO BY TYPE, 2019–2024 (THOUSANDS OF UNITS)

Source: Author calculations using Marklines data.



OEMs when operating overseas. iResearch suggests that Chinese OEMs have tended to enter overseas markets, including Mexico's, through the direct exportation of complete vehicles, while also employing a "knock down" strategy, or the exportation of "kits" of Chinese vehicle parts for assembly overseas, which can reduce transportation and tariff costs.[15]

BAIC (Foton) opened its first dealership in Mexico in 2016 to facilitate the importation of Foton vehicles. Its Lagos de Moreno Foton facility in Jalisco, Mexico was established in 2019, producing up to 40 internal combustion engine trucks per day, using "completely knocked down" (CKD) kits imported from China.[16] Figure 6 shows the degree of reliance by LDR Solutions, BAIC's (Foton) Mexican partner, on imports of mostly assembled components from China. Here, bodies and chassis, which include "knock down kits," feature especially prominently. BAIC imports from China surged in 2020 following the development of BAIC's factory in Jalisco. The company now has plans to grow its assembly capacity in Mexico, again in partnership with LDR Solutions. A planned Tlajomulco de Zúñiga plant will assemble the Tunland pickup trucks, including electric varieties, that Foton is already exporting to Mexico.[17]

JAC, like BAIC (Foton), has also focused on vehicle assembly using Chinese imports. The company arrived in Mexico in 2017 through a $212 million investment with Mexico's Giant Motors, Chinese automaker JAC, and distributor Chori Co Ltd. in an existing factory in Hidalgo, Mexico.[18] Elías Massri, the president of Giant Motors, noted in 2017 that his company had 50 local suppliers capable of providing parts, but that most components for JAC vehicles would be imported from China.[19] Indeed, Giant's imports from China, including chassis, bodies, and other parts and accessories, surged after JAC's arrival in Mexico in 2017 (see Figure 6), as Giant presumably geared up for heightened JAC vehicle assembly. Fully assembled vehicles have also featured prominently among the company's imports from China in recent years.

The "knock-down" assembly model would appear to be working well for JAC. The company continues to expand, seeing opportunity in Mexico and other Latin American markets. In September 2024, JAC inaugurated three new production lines at its Hidalgo plant, with an investment of MXN 1.062 billion and expected total production of 80,000 units annually. The 200,000-square-meter Hidalgo plant now operates a total of eight flexible production lines, one of which is reportedly exclusively dedicated to assembling electric vehicles (EVs).[20] Other lines focus on heavy trucks, commercial vehicles, and various light vehicles, such as pickup trucks, SUVs, and sedans. *Mexican Daily News* has noted that the consumer market for JAC vehicles is primarily domestic, with some possible focus on Central American market (even though INEGI registers no exports to Central America to date), and with an interest in supplying vehicles to a younger demographic.[21]

Like JAC and Foton, First Auto Works (FAW) Jiefang also operates in Mexico in partnership with a Mexican company. Mexico's ELAM deals FAW Jiefang cars. In a joint venture, ELAM and FAW Jiefang also established a production facility in Hidalgo, Mexico, assembling heavy diesel, natural gas, and LNG-powered trucks. The ELAM-FAW joint venture will reportedly move production to a larger facility in Colima, Mexico to serve the domestic market and potentially other markets, by accessing Mexico's Manzanillo port.[22]

Like other Chinese carmakers in Mexico, FAW's strategy involves importing Chinese auto parts, often in the form of "kits," and assembling them in Mexico. According to FAW's web site, FAW Jiefang established a "knock down" production plant in Mexico in 2018 and started selling assembled light truck vehicles in 2019. The company's imports of Chinese vehicle kits and parts and accessories

FIGURE 5: ORIGIN OF IMPORTS BY CHINESE OEMs IN MEXICO, 2015–2024 (USD MILLIONS)

Source: Author Calculations using Import Genius data.

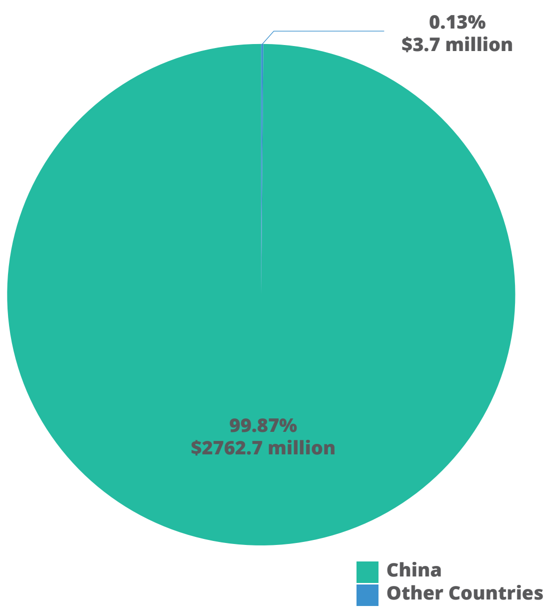


FIGURE 6. TOTAL VALUE OF CHINESE OEM IMPORTS FROM CHINA BY YEAR, 2015–2024 (USD MILLIONS)

Source: Author Calculations using Import Genius data.

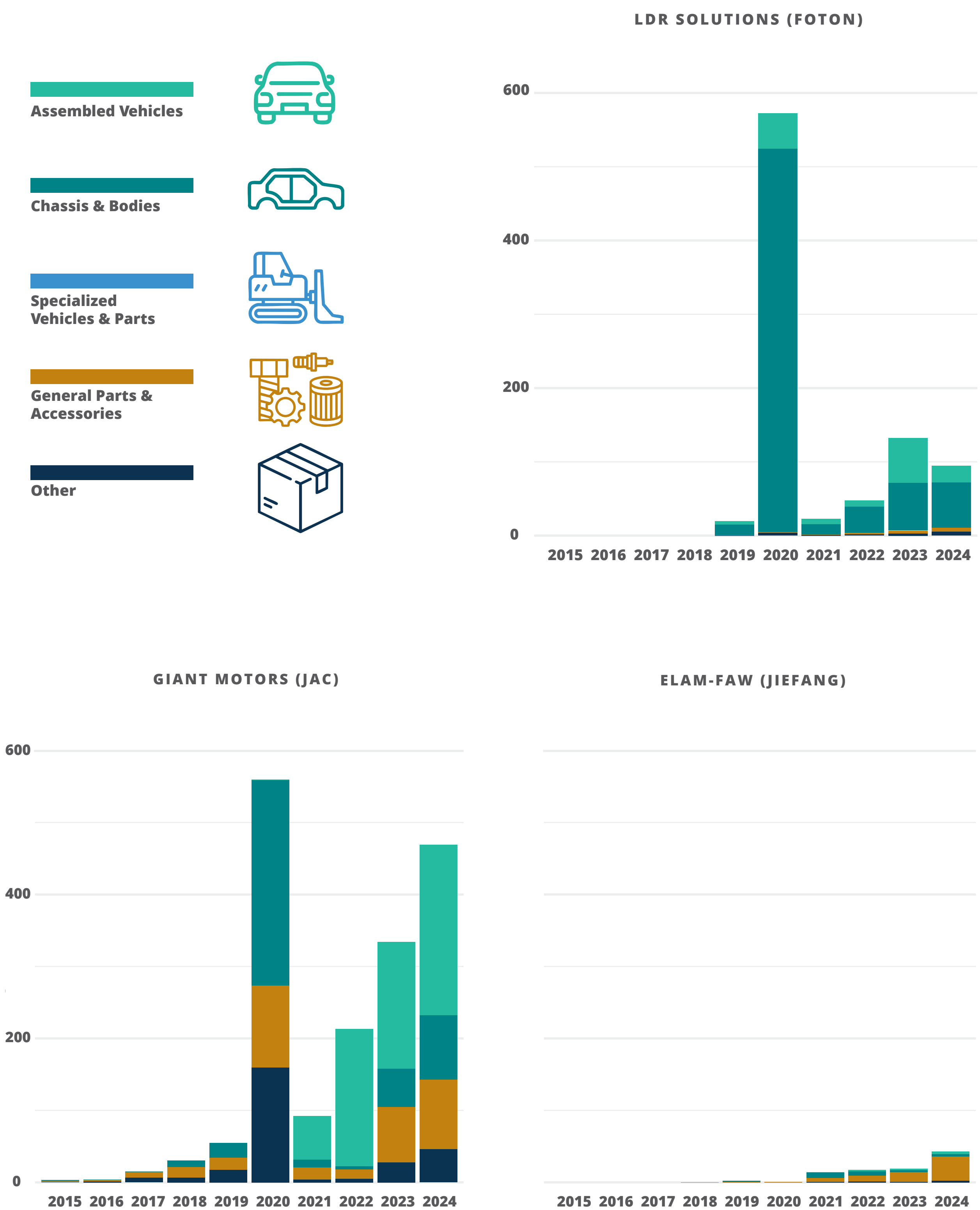
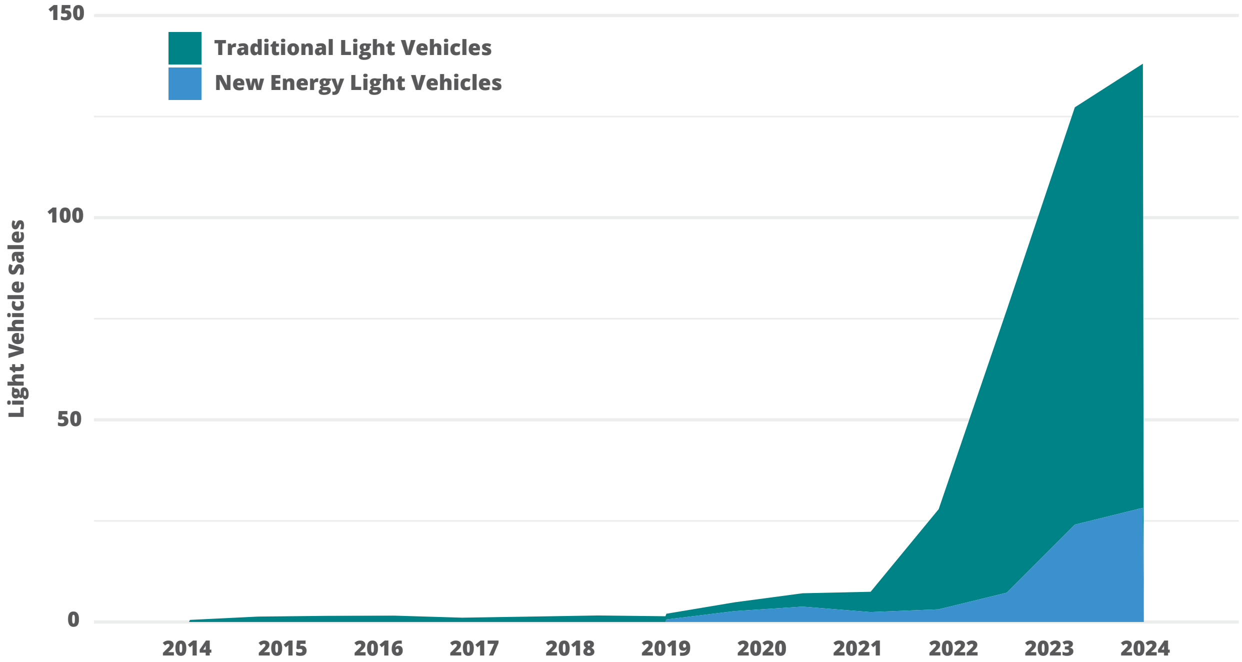


FIGURE 7. TOTAL SALES OF CHINESE LIGHT VEHICLES IN MEXICO, 2014–2024 (THOUSANDS OF UNITS)

Source: Author Calculations using INEGI data.



Note: "New Energy Vehicles" are defined according to the definition used in the "New Energy Vehicle Production Enterprises and Product Market Access Management Regulations" of the Ministry of Industry and Information Technology (MIIT) of China, which includes all vehicles that adopt a new type of power system and are entirely or primarily driven by new energy sources. This category includes plug-in hybrid vehicles, battery electric vehicles, and fuel cell vehicles, among others.

has grown over time, rising to $43 million in 2024 (see Figure 6). Its exports are also on the rise. From January to February 2024, FAW Jiefang exported a record 525 trucks to Mexico.[23]

Despite their growing operations, it should be noted that Chinese automakers still make up a small portion of Mexico's total auto production. Nor are they alone in their dependence on Chinese parts imports. Others, including U.S. OEMs, rely on imports of Chinese parts and even vehicles, but also tend to work very closely with Mexican suppliers.

Chinese OEMs are distinct is in their overwhelming focus on parts importation for basic assembly—or a process where vehicle components are disassembled, shipped to assembly factories in Mexico, and put back together for sale in Mexico or other Latin American markets. Though effective in offloading Chinese manufactures, this model is not inclined to generate the sorts of industrial ecosystems in Mexico that other international OEMs have cultivated and relied upon for decades.

Nor is Chinese assembly likely to generate long-term industrial gains for Mexico. If anything, the continued prioritization of basic assembly, fed by imports of Chinese parts, kits, and vehicles ensures that most jobs and overall economic benefit stay in China.

Moreover, at this juncture, in addition to growing parts exports, Chinese companies would appear to be favoring direct auto export to Mexico over production in the country, even amid growth in both areas. Chinese light vehicle exports to Mexico are growing at high rates, boosted in recent years by new energy vehicle sales (see Figure 7), but the ratio of Chinese vehicle exports to Chinese vehicle assembly in Mexico is also growing. Sales to Mexico of Chinese light vehicles assembled in Mexico (as a share of total Mexico sales) rose dramatically in 2017 (due to JAC's establishment in Mexico) but peaked in 2019, when 66 percent of all Chinese-branded light vehicles sold in Mexico were made in the country. Over the past five years, locally produced vehicles have declined dramatically as a share of total Mexico light vehicle sales, dropping to 16 percent in 2023 before rising slightly to 18 percent in 2024. The share of sales in Mexico of vehicles produced non-Chinese automakers in Mexico also dropped in recent years but stabilized at around 35 percent in 2023 and 2024.[24]

In other words, despite the presence of Chinese OEMs in Mexico, China is increasingly inclined, and more so than other international carmakers, toward exportation of light vehicles to the Mexican market, as opposed the assembly of cars and pickup trucks within the country for sale to Mexican consumers and other markets, potentially. This is possibly due to growing limitations on Mexican manufacturer prospects in the broader North American market.

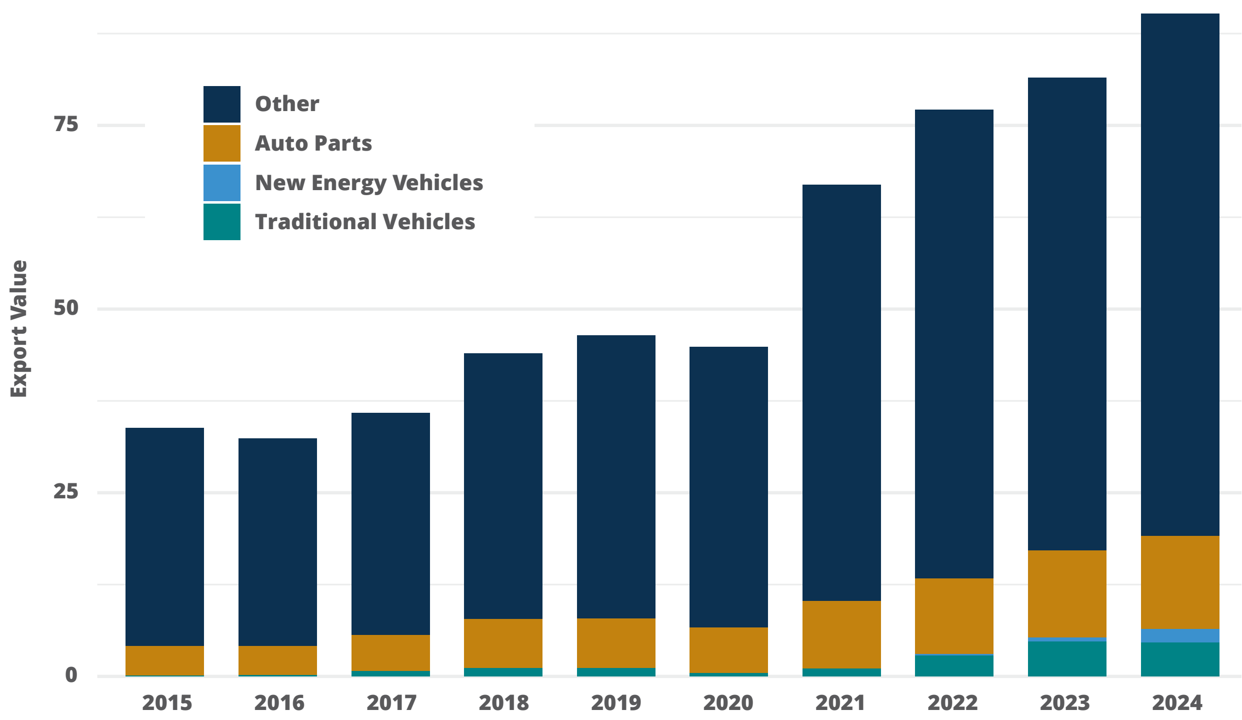
The Parts Story

Thus far, and accounting for discrepancies in public data on Mexico's inward FDI, Chinese parts manufacturers have played a more prominent role in the Mexican auto sector than China's carmakers, whether in terms of foreign direct investment or trade. Between 2014 and 2023, China's parts manufacturers accounted for 37 percent (or $7.9 billion) of China's total announced investment in Mexico, according to FdiMarkets.[25] By comparison, China's OEM investments accounted for 22 percent ($4.6 billion) of that share. Chinese auto parts exports to Mexico have also grown over time alongside exports of traditional and new energy vehicles (see Figure 8). In 2024, auto parts accounted for over 14 percent of total Chinese exports to Mexico. Of the Chinese auto parts exported to Mexico, batteries and alternators accounted for much of recent export growth, amounting to $927 million in export value in 2024 (see Figure 9).

Whether in terms of FDI or trade, a handful Chinese parts companies have dominated the auto parts market in Mexico. These include some of China's top parts makers, including Minth,[26] Johnson Electric, Daimay, Yanfeng,[27] Joyson,[28] Sanhua,[29] and Yinglun—companies that are ranked among the top 100 auto parts suppliers worldwide,[30] and/or recognized as industrial champions by the Chinese Government.[31]

These companies have expanded their operations at a rapid pace over time. Daimay first ventured into Mexico in 2018 by acquiring Motus's sun visor business and its production facilities in Coahuila.[32] The company then expanded to a second factory in Parque Industrial FINSA in Ramos Arizpe, Coahuila in March 2019.[33] Three additional

FIGURE 8. TOTAL CHINESE YEAR-ON-YEAR GOODS EXPORTS TO MEXICO BY TYPE, 2015–2024 (USD BILLIONS)
Source: Author Calculations using China Customs data.



plants were added by 2024.[34] Daimay inaugurated its sixth Mexican plant (in Ramos Arizpe) in 2024, specialized in the production of headrests and armrests (for EVs, including the Equinox and Blazer from GM and Tesla's new pickup).[35] Yanfeng Global Automotive Interiors now owns three plants in Mexico—one in Saltillo to supply parts for the Derramadero Daimler Trucks plant, one in Ramos Arizpe, and a third in Queretaro to supply automakers established in the the central part of the country.[36]

Some of these established in Mexico over a decade ago as part of an initial wave of Chinese auto parts FDI. During this phase, Chinese parts companies often acquired overseas parts manufacturers to access foreign technologies and markets, according to a Sinolink Security study on trends Chinese overseas auto parts investment.[37] In Mexico, China's Pacific Century Motor acquired Steeringmex from GM in 2010,[38] for instance, and Chinese parts maker Joyson acquired Michigan-based Preh's Mexico assets in 2011.[39] China's AVIC bought U.S. company Henniges Automotive in 2015[40] and in 2019, China's Jifeng acquired Germany's Grammer AG assets in Mexico.[41]

More recent Chinese parts investments in Mexico and other countries are better explained by growing trade frictions in automotive supply chains, including anti-dumping and countervailing duties and the introduction in several countries of differentiated subsidy policies to support domestic supply chains. Against this backdrop, many Chinese parts companies have opted to establish overseas with clearly defined target customers in mind.[42] Some have established in Central and Eastern European countries like Poland and Hungary to serve Western European automakers, for instance, and in Mexico to serve North American automakers.

According to official reports from Ningbo province, where many of Tesla's suppliers are located, "[i]n order to expedite the commissioning of its [proposed] Mexican factory, Tesla is actively mobilizing Chinese suppliers to head to Mexico."[43] As a result, listed companies in Ningbo's Tesla supply chain, including Top Group, Xusheng Group, Joyson, and Ningbo Huaxiang, all reportedly initiated and accelerated plans to set up factories in Mexico.[44]

FIGURE 9. TOTAL CHINESE YEAR-ON-YEAR AUTO PARTS EXPORTS TO MEXICO BY TYPE, 2015–2024 (USD BILLIONS)

Source: Author Calculations using China Customs data.

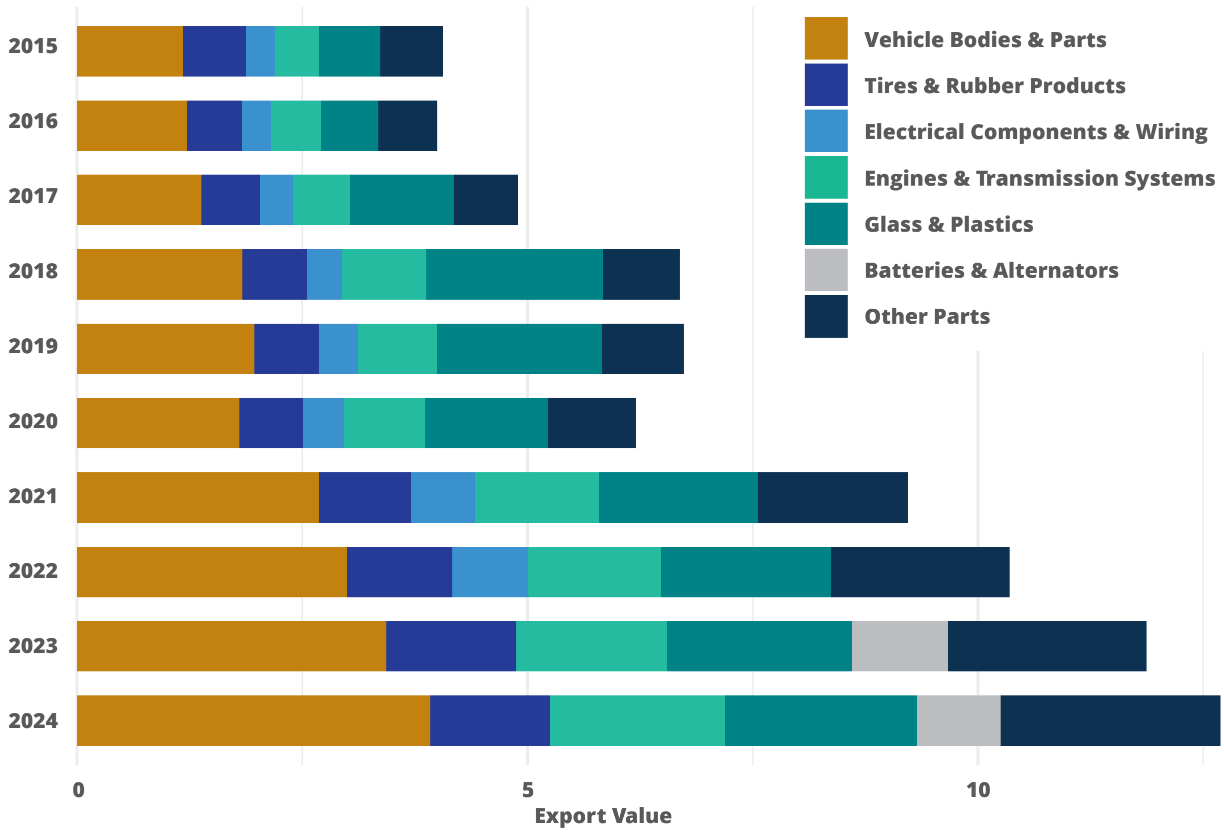
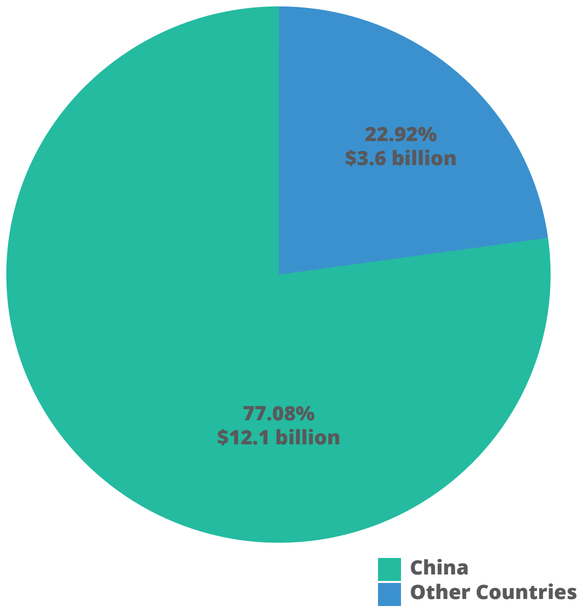


FIGURE 10. ORIGIN OF IMPORTS BY MEXICO-BASED CHINESE AUTO PARTS COMPANIES, 2015–2024 (USD BILLIONS)

Source: Author Calculations using Import Genius data.



In many cases, Chinese parts companies do not appear to be following Chinese carmakers to Mexico. As previously noted, Chinese OEMs are mostly importing vehicles or manufactured parts kits directly from China, rather than relying on local suppliers, whether Chinese, Mexican, or otherwise. Like Chinese OEMs, Chinese parts companies in Mexico would also appear to rely rather heavily on imports from China (see Figure 10). Chinese auto parts companies in Mexico imported nearly $2 billion in goods from China in 2024.

Regardless of their reasons for establishing in Mexico, Chinese parts suppliers aren't necessarily making large profits. Due to significant geopolitical volatility and relatively high overall foreign costs, many have struggled with profitability, according to Sinolink Security analysis.[45] At the same time, certain Chinese producers are effectively edging out the competition. This includes battery producer CATL, which has considered establishing a factory in Mexico, and which enjoys advantages in both scale and cost. Its relatively low-cost lithium iron phosphate battery technology is among the few options available to international OEMs as competitor companies, such as Sweden's Northvolt, encounter financial difficulties.[46]

Implications for Mexico

Looking ahead, Mexico is and will need to continue weighing the relative value it derives from Chinese OEM and parts company investment and trade, especially at a moment when Chinese investments and trade are center stage in U.S.-Mexico relations. This is also a critical consideration for Mexican states given the extent to which deals are negotiated and struck at the local level.

Under the Trump administration, the United States remains deeply concerned about the extent of Chinese use of the USMCA trade agreement as a "backdoor" for Chinese manufactures to the U.S. market. At present, Chinese vehicles made in Mexico are not making their way into the U.S. in any notable way, due to high tariffs and other restrictions, but Chinese automotive parts, including those produced in Mexico, do factor prominently in North American supply chains, and will be of issue in USMCA negotiations in 2026. According to the Industria Nacional de Autopartes (INA), exports of auto parts to the United States by Chinese companies based in Mexico amounted to just over $83 million between January and October 2023—a 15 percent increase compared to the same period in 2022.[47]

What constitutes a "Chinese good" will be front and center in discussion among USMCA member nations, and an issue of likely tension among the U.S. government, North American companies, and countries, such as Mexico, that have been a destination for diverted Chinese FDI and trade in recent years.[48] As the USMCA review progresses, the burden of proof of compliance with local content stipulations will fall on individual companies and governments.

Of course, in practice, China's relatively low-cost parts, whether produced in Mexico or exported directly from China to OEMs in North America, are increasingly critical to producing low-cost and competitive vehicles. They have come to play a central role in global supply and will continue to do so, in some form, for the foreseeable future. But U.S. tariffs, if imposed, and pressure on Mexico to review its rules of origin and scrutinize Chinese inputs and investment, could very well limit future auto sector and other Chinese activity in the North American market.

Mexico's efforts to get ahead of U.S. red flag issues is noteworthy, including a recent suggestion by the Sheinbaum government that it will review the tariffs that it has placed on China. Also, according to an official statement from the Office of the U.S. Trade Representative, Mexico, Canada, and the United States have agreed to jointly expand their collaboration "on issues related to non-market policies and practices of other countries, which undermine the Agreement and harm U.S., Canadian, and Mexican workers, including in the automotive and other sectors."[49] There was also a recent proposal for think tank-academic cooperation on joint CDN-MEX study and roundtables on China and Taiwan ascension to CPTPP.

Of course, for Mexico, **there is value in reviewing and analyzing the benefits and drawbacks of Chinese auto sector and other investments—regardless of U.S. concerns.** Plan México is a noteworthy effort to address critical gaps in Mexican competitiveness, especially amid China's advances in technology and productivity. To advance industrial plans, it is in the country's best interest to both accurately assess and maximize the benefits of existing and future Chinese auto sector and other engagement, especially at moment when Chinese investment and trade has had a hollowing effect on local industry in other parts of the world. Thailand's experience amid surging Chinese auto sector investment, spurred by Thai subsidies for Chinese electric vehicle companies, is illustrative. Surging EV production has had a dramatic effect on local suppliers there, which were selling to traditional auto manufacturers. The Thai auto sector has struggled to survive, resulting in requests by Thailand's Industry Ministry that Chinese electric vehicle manufacturers assemble their EVs with at least 40 percent of parts sourced locally.[50] The challenge for Thailand, as for other auto manufacturing hubs, is ensuring that local suppliers are equipped with technologies to produce for emerging industries.

For the time being, Mexico will benefit by ensuring that its investors are committed to helping Mexico achieve its industrial objectives, whether as outlined in Plan México or articulated by local governments. China's economic engagement within Mexico's auto sector will not be positively transformational for local industry unless Mexico makes it so, including by encouraging Chinese and other investors to embrace local content. Thus far, there is little evidence of integration of local suppliers in Mexico, whether by Chinese OEMs or parts companies. In most cases, China is merely replicating existing supply chains. And the benefits, whether in terms of employment or industrial development, are mostly China's.

Beyond providing fiscal incentives to stimulate investment, one option is to require that all OEMs, including Chinese carmakers, engage in ways that fortify the Mexican market, including through meaningful local investment in Mexican workers and industry. Some version of an investment screening mechanism, employed, in this case, with Mexican economic security in mind, is among the many tools that Mexico might employ to bolster industrial capacity and competitiveness. **Unless these or other steps are taken to protect and cultivate local industry, there is some risk that Mexican manufacturers will be unable to compete within new energy and other value chains.**

Technology acquisition will also be fundamental for Mexico. Mexico has had an open attitude towards new energy vehicles, but it still lacks the new energy industry chain to fully support production in Mexico. According to analysis of international electric vehicle supply conducted by LatePost, which is produced by Chinese financial news outlet Caijin, the proportion of suppliers providing electrification, thermal management, and smart technologies for electric vehicles is only 2.2 percent within Mexico's automotive supply chain.[51] This means that new parts players entering Mexico, including and especially Chinese companies, are better equipped to participate in building the new energy industry chain. At the same time, Chinese assembly plants in Mexico are mostly importing their parts from China, whether for EVs or traditional vehicles sold in the Mexican market.

On trade, there is room to think about regional tariffs that carve out China's role in the North American auto sector—creating space for local industrial development, while noting the essential role that Chinese parts have come to play in global auto supply. Discussions on the alignment of tariffs across the North American region are an important step in this process, with the range of North American growth and development objectives front in mind.

Mexico will undoubtedly find itself in a difficult position in the coming months, as it grapples with U.S. pressures to address national security concerns and also what is bound to be a challenging USMCA review process. Regardless of the state of North American relations, Mexico's long-term competitiveness will be best supported by effective local policy making and critical thinking about partner nation alignment with Mexico's industrial objectives. At the same time, continued review China's role and effect in the country would do much to address U.S. concerns.

METHODOLOGY

There is no single, reliable source of data on Chinese investment in and trade with Mexico in the auto sector. As a result, the authors relied on and reconciled data from multiple different sources to produce this report. These included Marklines, FdiMarkets, individual OEM sales and production reports, Mexico's National Institute of Statistics and Geography (INEGI), China Customs, and ImportGenius, which provides data on global shipping transactions. The authors also interviewed experts on Chinese trade and investment in Mexico to verify specific projects and trends.

The authors used proprietary FdiMarkets data to initially identify Chinese investment in Mexico's auto sector. This list served a basis for further research. The authors then relied on interviews, media accounts, and company reports to confirm the operational status, value, types of production, and local subsidiary structures for the listed projects. The resulting dataset was used to assess broad trends in announced and operational Chinese investment in Mexico's auto sector.

We used China Customs statistics portal to analyze auto-related trade flows from China to Mexico. The authors compiled a list of Harmonized System (HS) codes for auto industry intermediate goods and final products and used those to pinpoint and disaggregate China's auto sector-related exports to Mexico. Unfortunately, since 2017, China Customs no longer discloses micro-data of China's international merchandise trade, precluding more recent analysis of firm-level flows.

As a recourse, authors used alternative sources, namely ImportGenius, to interpret firm-level activity. ImportGenius uses lading bill information acquired from Mexican customs to produce transaction-level trade data on China's exports to Mexico. Though not comprehensive (given its focus solely on maritime trade), ImportGenius data would appear to account for considerable trade between China and Mexico. With our list of projects as a guide, the authors searched the data by company/Mexican subsidiary name to examine import activities from 2015 to 2024. This provided key information on cross-border sourcing patterns (origin country, import type/value) and trends.

Marklines' Automotive Production/Sales Data helped the authors to visualize and analyze Chinese OEM market penetration and local production capability. The authors also used the Marklines' Automotive OEM/Parts Supplier Database to verify and cross-reference the status and location of announced Chinese auto sector investments.

Additionally, we relied upon INEGI's public administrative records of light vehicle sales in Mexico, using that dataset, alongside and in comparison with Marklines data (which includes heavy vehicles data), to evaluate Chinese OEM penetration and production capacity in Mexico.

INEGI's publicly-accessible Registro Administrativo de la Industria Automotriz de Vehículos Ligeros (RAIAVL) dataset also provided information on the origin of manufactures (imported or locally made) of light vehicles sold in Mexico, as well as specific car models being sold or produced. This data helped the authors to consider the motivations of Chinese OEMs when establishing Mexican operations and their progress in transitioning to EV sales manufacturing.

Unfortunately, the authors were not able to access official micro data (firm or transactional level data) on Mexico's international trade. Both the Econlab at Banco de México and INEGI, the two institutions that maintain these statistics, allow access only under strict terms. Access to industrial association data, such as from the INA (La Industria Nacional de Autopartes) and AMIA (La Asociación Mexicana de la Industria Automotriz), is also restricted. However, we found the above-mentioned third party sources to be useful and effective supplements.

ENDNOTES

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