

Mexico Emerges from China: Nearshoring

In baseball, pinch hitters serve an important role because they often decide the outcome of games. Within international economic politics, there are certain emerging countries. Mexico is an emerging country owing to the increase in the size of its financial market, the number of free trade agreements it has concluded - highlighted by the USMCA - in addition to the variety of its sources of income. No other country is as connected to the United States as Mexico, so when its economic recovery occurs, Mexico will benefit the most simply by being the emerging country most integrated with the U.S. economy.

Mexico's opportunity arose in 2018 when the United States established tariffs on goods manufactured in China, followed by supply chain disruptions caused by the pandemic, which altered international markets and the flow of investments. The amounts speak for themselves: in the first four months of 2023, total trade in manufactured goods between Mexico and the United States reached \$234.2 billion dollars. The amount of Mexican goods exported to the United States reached \$157 billion dollars, while the exports of American goods to Mexico reached \$107 billion dollars.

Bilateral trade between Mexico and the United States in these first four months of 2023 was 15.4% of United States international trade; with Canada being a little lower at 15.2%, and that corresponding to China noticeably lower at 12%. The automotive industry is a key component. The strategy is simple but efficient: a U.S. plant produces an intermediate good that it exports to Mexico where it becomes part of the assembly process before the final product (e.g. an automobile) is exported to the United States. This is good news and a reflection of the success of the USMCA and Mexico's privileged position, in addition to other advantages, including geographic location and a trained and competitive labor force.