



Made in  
Mexico

# Mexico: Still an Investment Option for Manufacturers Targeting the U.S. Market?

Copyright owned by Fastener World /  
Article by Dr. Sharareh Shahidi Hamedani,  
UNITAR International University

## Introduction

Mexico has long been a significant player in global manufacturing, particularly for companies targeting the U.S. market. The country has positioned itself as a prime location for manufacturing due to its proximity to the United States, cost-effective labor, and extensive trade agreements. However, in the current climate of changing global dynamics, political shifts, and technological advancements, the question arises: is Mexico still a viable investment option for manufacturers targeting the U.S. market?

## 1. Historical Overview of Manufacturing in Mexico

Mexico has been an attractive location for manufacturing for decades, particularly in industries such as automotive, electronics, and textiles. The North American Free Trade Agreement (NAFTA), signed in 1994, marked a major turning point in Mexico's manufacturing sector. By eliminating tariffs on goods traded between the U.S., Canada, and Mexico, NAFTA provided manufacturers with a cost-effective way to produce goods in Mexico and export them to the U.S. market.

Over time, **Mexico's manufacturing capabilities grew, thanks to its skilled labor force, cost advantages, and logistical benefits.** The country also developed a robust infrastructure to support manufacturing, including transportation networks, ports, and industrial parks. These factors, combined with relatively low labor costs, made **Mexico a prime location for U.S.-targeted manufacturing.**

**In 2020, NAFTA was replaced by the United States-Mexico-Canada Agreement (USMCA), which updated trade provisions and further solidified the importance of Mexico as a manufacturing hub.** While the shift from NAFTA to USMCA raised questions about potential impacts, it has generally been seen as an extension of the long-standing benefits for manufacturers in the region.

## 2. Geographic Proximity and Logistics

One of the primary reasons why Mexico continues to be an attractive investment option for manufacturers targeting the U.S. market is its geographic proximity to the United States. **With an extensive border of over 1,900 miles, Mexico offers manufacturers the advantage of relatively short supply chains. This proximity allows manufacturers to quickly ship goods to U.S. markets, reducing transportation costs and minimizing lead times.**

In addition, Mexico's well-developed infrastructure supports the smooth flow of goods. Major ports like Manzanillo and Lazaro Cardenas on the Pacific Coast, as well as Veracruz on the Gulf of Mexico, are essential for international trade. The country's network of highways, railroads, and logistics hubs further facilitates the efficient movement of goods.

Moreover, Mexico's position as a key player in the USMCA also means that goods manufactured in Mexico can enjoy tariff-free access to the U.S. market. This gives manufacturers an edge over competitors in other regions, where tariffs may apply.



### 3. Labor Cost Advantage

Labor costs are a significant factor that makes Mexico an attractive destination for manufacturing. Mexico offers manufacturers access to a large, skilled workforce at a fraction of the labor costs found in the U.S. or Canada. According to the World Bank, **the cost of labor in Mexico is around one-sixth of the cost in the U.S., which can result in substantial savings for companies that choose to establish manufacturing operations in the country.**

This cost advantage is particularly beneficial for industries that rely heavily on labor, such as automotive manufacturing, electronics assembly, and textiles. As wages in countries like China have risen, Mexico's labor costs remain relatively competitive, making it a more attractive destination for manufacturers looking to reduce production costs while maintaining high-quality output.

In addition to cost-effective labor, **Mexico has a growing pool of skilled workers, particularly in engineering, electronics, and automotive sectors. This has allowed manufacturers to establish high-tech production lines and incorporate advanced manufacturing techniques while keeping costs under control.**

### 4. Trade Agreements and Economic Stability

Mexico's trade agreements have long been a cornerstone of the country's attractiveness for manufacturers. The USMCA, which replaced NAFTA in 2020, preserves the framework for tariff-free trade between the U.S., Canada, and Mexico, ensuring continued access to North America's largest market. This agreement has been pivotal in maintaining smooth trade relations, reducing the risk of new trade barriers, and keeping the cost of production predictable for manufacturers. USMCA also introduced provisions that are beneficial for modernizing the trade framework, including more stringent labor rights protections and environmental safeguards, making it a forward-looking agreement.

Nowadays, the era of Donald Trump has marked a period of uncertainty and tension in U.S.-Mexico trade relations. Trump's administration took a hard stance on trade, focusing on "America First" policies that included renegotiating trade agreements, particularly NAFTA, and threatening tariffs on goods imported from Mexico. His administration also imposed significant tariffs on steel and aluminum imports, which affected manufacturers in both countries. During this period, the U.S. also pushed for stricter regulations on the automotive industry, aiming to increase U.S. content in Mexican-made cars to ensure more production took place within the U.S. borders. The threat of these tariffs, combined with the uncertainty surrounding the renegotiation of NAFTA, led to some initial concerns about the future of trade relations between the two countries. However, **the negotiation and eventual signing of the USMCA in 2020 under President Trump provided clarity for businesses, as it replaced NAFTA with updated provisions that offered continued tariff-free trade between the U.S. and Mexico. Although the renegotiation process was initially tense, USMCA ultimately provided a more stable and favorable framework for manufacturers, addressing new challenges such as the digital**



## 40 Years Experience in Stamping Manufacturing in Taiwan

#### Production Specification:

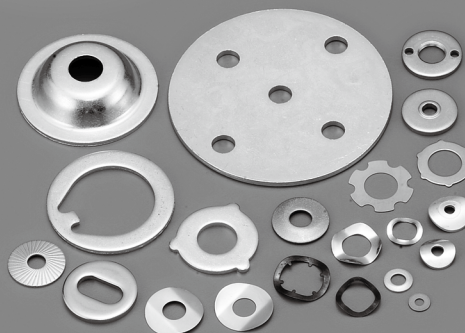
Thickness: Max. 6.5mm

Material: Low/Mid/High Carbon, Stainless, Brass, Copper, Aluminum

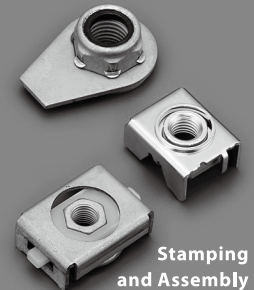
Finish: Galvanized, Nickel, GEOMET, DACROMET, Powder Coating, Phosphate, Hot Dip Galvanized, Black Oxide, Sand Blasting...

#### Strict Quality Control:

- ▶ Inspection on each process
- ▶ Regular inspection during forming process (IPQC)
- ▶ Traceability of material no., each process, equipment used, and personnel involved in



Custom Washers



Stamping and Assembly



Tab and Round Weld Nuts



Other Metal Stampings



Tee Nuts



Tubes

- ✓ ISO 9001:2015
- ✓ ISO 14001:2015
- ✓ IATF 16949:2016
- ✓ TÜV Verified Manufacturer



## LIAN CHUAN SHING INTERNATIONAL CO., LTD.

No. 276, Chihkan N. Rd., Zinguan Dist., Kaohsiung City 826, Taiwan

Tel: +886-7-610 6213 Fax: +886-7-619 2270 / 619 5685

Email: [sales@lian-chuan-shing.com.tw](mailto:sales@lian-chuan-shing.com.tw) <http://www.lian-chuan-shing.com.tw>

<http://www.fastener-world.com/en/supplier/lcs>



economy and e-commerce, and preserving key advantages such as the elimination of tariffs.

## Global Trade Agreements and Economic Stability

On the other hand, Mexico has maintained and expanded its global network of free trade agreements (FTAs), securing deals with the European Union, Japan, and numerous Latin American nations. These agreements enhance Mexico's access to global markets, providing manufacturers with the opportunity to export beyond the U.S. and diversify their customer base. For example, the EU-Mexico FTA and Japan-Mexico FTA create new pathways for manufacturers to access some of the world's most lucrative markets, further strengthening Mexico's position as a hub for international trade.

On the economic front, Mexico has largely demonstrated macroeconomic stability, with inflation rates and exchange rates remaining relatively predictable, especially when compared to other emerging markets. Though challenges such as fluctuating oil prices, political instability, and occasional security concerns have affected the economy, Mexico's fundamentals remain strong. **The country continues to maintain a relatively low inflation rate and a stable exchange rate, which benefits manufacturers by reducing the unpredictability of production costs and foreign currency fluctuations.**

## 5. Industry-Specific Focus Areas

Several industries have flourished in Mexico due to the country's manufacturing capabilities, strategic location, and advantageous trade agreements. The political landscape, particularly the shift in U.S. leadership in 2025, will continue to influence these sectors. Some key industries that are particularly relevant to U.S.-targeted manufacturing include:

### • Automotive Industry

- \* Mexico has solidified its position as a global hub for automotive manufacturing, with prominent companies like General Motors, Ford, and Volkswagen establishing production facilities across the country. The proximity to the U.S. market, combined with a skilled labor force and cost advantages, makes Mexico an ideal location for car production. **The 2020 USMCA included provisions designed to incentivize the use of North American parts in vehicles, thus fortifying Mexico's role in the automotive supply chain.**
- \* During the Trump era, his administration's focus on bringing manufacturing back to the U.S. through protectionist tariffs created some uncertainty for manufacturers in Mexico. However, the renegotiation of NAFTA into the USMCA provided clarity, especially with the new regulations aimed at increasing the U.S. content in Mexican-made cars. The result was a shift towards more North American-based supply chains, with the automotive industry benefiting from these stipulations, especially as it positioned Mexico as a competitive base for auto production due to its relatively low production costs and access to key markets.

### • Electronics and Appliances

- \* Mexico has emerged as a significant player in the electronics and home appliance industries, with global giants like Samsung, LG, and Whirlpool operating major manufacturing facilities in the country. The nation's low labor costs, coupled with its advantageous access to the U.S. market, make it a highly attractive location for producing consumer electronics and appliances. Moreover, Mexico's growing technological infrastructure is supporting the development of high-tech products, including semiconductors, consumer electronics, and other advanced technologies.

- \* During the Trump administration, the electronics sector experienced shifts due to the escalating trade tensions between the U.S. and China. Trump's tariffs on Chinese imports led many U.S. manufacturers to shift their supply chains, with Mexico emerging as a strong alternative due to its proximity and favorable trade terms under the USMCA. These factors solidified Mexico's role in serving the U.S. market with electronics and appliances, taking advantage of cost savings in production and duty-free access to the U.S. market for many of these products.

### • Aerospace

- \* Mexico's aerospace industry has experienced rapid growth in recent years, with companies like Bombardier, Airbus, and Honeywell setting up manufacturing plants in the country. Mexico's proximity to the U.S. aerospace market, coupled with its skilled workforce, has made it an attractive destination for companies involved in producing aircraft components, parts, and systems. The growing demand for aircraft and parts, along with the rising costs of manufacturing in the U.S., makes Mexico an increasingly viable alternative for aerospace production.
- \* Trump's presidency had a notable impact on the aerospace industry due to his administration's emphasis on boosting domestic manufacturing through tariffs and trade policies. These measures initially caused some hesitation among aerospace manufacturers, but the USMCA's provisions, which continue to encourage North American supply chains, helped solidify Mexico's role in the aerospace sector. Additionally, the stability of Mexico's labor market and its government's proactive stance on maintaining industry-specific infrastructure helped mitigate some of the negative effects of the Trump-era trade policies.

## 6. Conclusion

Mexico remains an attractive and competitive location for manufacturers targeting the U.S. market, thanks to its proximity, cost-effective labor, and favorable trade agreements like the USMCA, which provides tariff-free access to the U.S. market. As companies seek to diversify their supply chains and reduce reliance on China, Mexico's role as a manufacturing hub continues to grow. The country is also advancing in automation and advanced manufacturing techniques, further enhancing its appeal to global manufacturers.

Despite challenges such as security concerns, political risks, and supply chain vulnerabilities, Mexico's advantages, including a skilled workforce and lower production costs, outweigh the drawbacks for many businesses. **With growth in key sectors like automotive, electronics, aerospace, and medical devices, Mexico is well-positioned to remain a manufacturing powerhouse in the years to come.** Manufacturers targeting the U.S. market would be wise to consider Mexico as a strategic base for their operations. ■

