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As trade agreements emerge, companies shift focus to Mexico for manufacturing

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As the trade war between China and the United States continues, companies are reordering their supply chains. For those sourcing out of China, the Southeast Asian countries of Vietnam and Malaysia have proven interesting for some industries, while other companies (primarily in the garment industry) look to Bangladesh, Turkey and Pakistan.

Mexico provides an attractive alternative, as well, especially for companies trading with fellow NAFTA/ United States-Mexico-Canada Agreement (USMCA) members Canada and the United States. Trade between the U.S. and Mexico reached USD 600 billion in 2019, while reports indicate that U.S. trade with China decreased during the first quarter of 2019.

Mexico recently ratified the USMCA, heading off the threat of tariffs and bringing the successor to the North American Free Trade Agreement (NAFTA) one step closer to reality. Neither Canada nor the U.S. have ratified the USMCA, but U.S. President Donald Trump has stated that he wants a resolution on the agreement by the end of 2019.

Aside from the USMCA, there are two other things for supply chain compliance managers to keep in mind when considering trade with Mexico: the IMMEX (Manufacturing, Maquiladora and Export Service Industry) program and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).

IMMEX

IMMEX is defined by the Mexican government as “an instrument which allows the temporary importation of goods that are used in an industrial process or service to produce, transform or repair foreign goods imported temporarily for subsequent export or provision of export services, without covering the payment of general import tax, value added tax and, where appropriate, countervailing duties.”