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Building Resiliency: Why Mexico Is Crucial To The U.S. Reshoring Strategy

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Manufacturing hub in Monterrey, Mexico FICTIV

In an effort to diversify sourcing for customers, I've spent time researching and reflecting on four global manufacturing regions (India, Mexico, the U.S., and China)

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market “COVID junior” to express the degree of [supply chain and economic disruption](#) happening daily.

[Strained relationships](#) between the U.S., EU, and China, [shipping crises](#), and [critical elections](#) in the U.S., India, Mexico, and the EU put extra pressure on decision-makers. And I’m talking to more supply chain and manufacturing leaders who are concerned about the [impacts of these tensions on long-term business strategies](#).

In this series on global options for supply chain diversification, I’m looking at China, [India](#), the U.S., and Mexico. In the 2nd installment, I’m examining the trends and opportunities that make Mexico an excellent choice for U.S. businesses that want more North American production options.

How Mexico Fits Into Regionalization Strategies

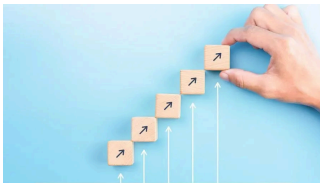
As more supply chain leaders look to regional diversification as a solid strategy to mitigate supply chain risk, many are turning to nearshoring. And for many, that means Mexico.

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The data bears this out. According to the [2024 State of Manufacturing Report](#), more leaders are looking to nearshore to North America (and reshore to the U.S.) to address these risks. In fact, there’s an uptick in nearshoring as a key supply chain strategy. When asked about regionalization plans, Mexico and Latin America were preferred geographies (over Northeast Asia, Eastern Europe, and Southeast Asia).

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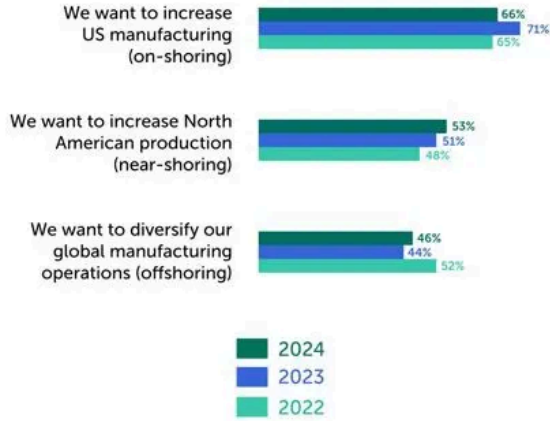


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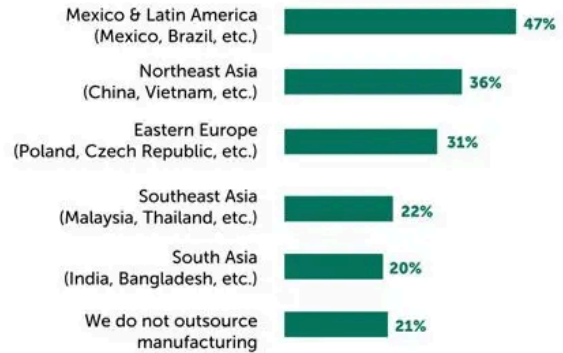
Regionalization Strategy

Which of the following statements represents your company's strategy for 2024/2023/2022? Choose all that apply.



Regionalization Strategy Geography

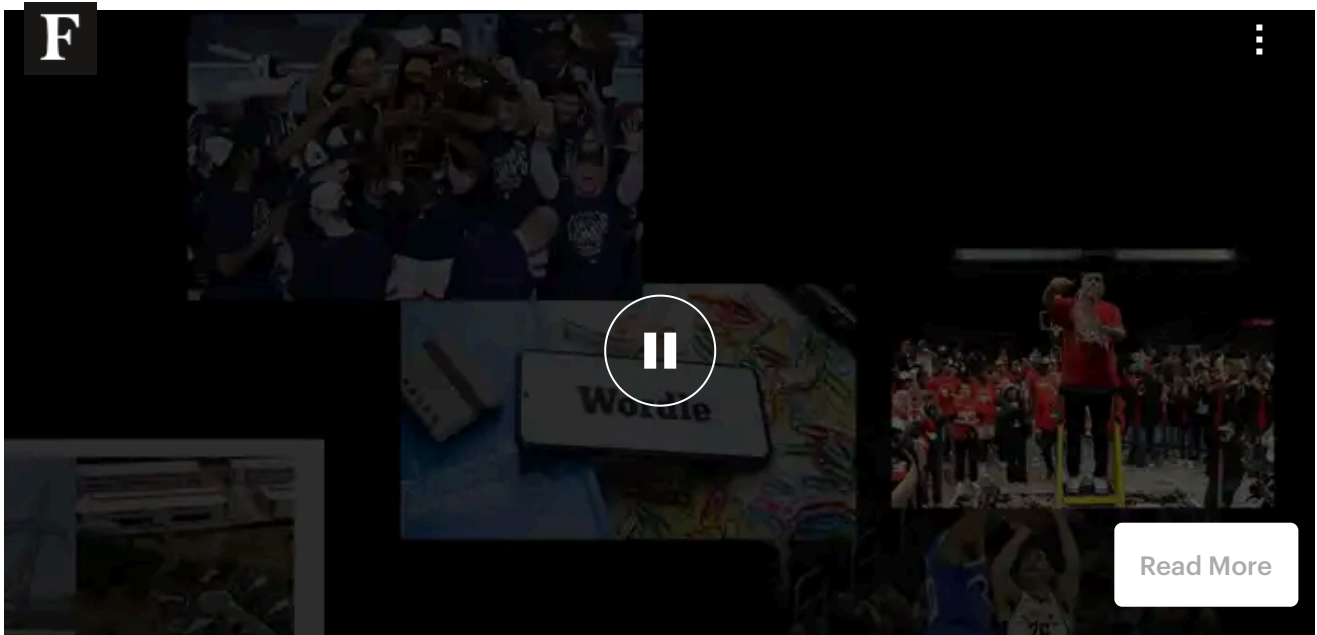
Where are you most likely to outsource manufacturing? Choose all that apply.



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2024 STATE OF MANUFACTURING

Source: 2024 State of Manufacturing Report FICTIV



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GDP, Mexico is already playing a central role in the global value chain. And Mexico’s strong framework and solid manufacturing base indicate strong economic growth going forward.

Large multinational corporations have already caught on, including Tesla, Nissan, Honeywell, and AT&T. In my opinion, the shift to nearshoring offers greater resilience to companies that need fast, on-demand, or just-in-time manufacturing services without sacrificing quality.

History of Mexico as a Nearshore Solution



Trade agreements are a key driver of nearshoring DALL-E

Another key driver of nearshoring to Mexico is the series of trade agreements between Canada, Mexico, and the U.S. that enable an easier exchange of goods and services across borders.

Early Development (1960s-1980s)

The maquiladora program, introduced in 1965, played a key role in shaping Mexico's place in global supply chains. This program made it easier for foreign companies to set up factories in Mexico, allowing them to import raw materials without paying duties

and then export the finished products back to their home countries. At first, these

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NAFTA Era (1994-2018)

To some extent, the North American Free Trade Agreement (NAFTA)—a trilateral agreement between the United States, Canada, and Mexico—revolutionized the concept of free trade zones in 1994. According to [Forbes Mexico](#), NAFTA paved the way for “...solidifying production and logistics chains developed with the United States; enabled shorter production and shipping processes than from other regions of the world; facilitated communication between production and suppliers.” In my experience, this communication is critical to supply chain visibility, agility, and resilience.

NAFTA also eliminated most tariffs between the U.S., Canada, and Mexico, making Mexico an attractive destination for manufacturing due to its lower labor costs and proximity to the U.S. This period saw a surge in investment in Mexican manufacturing across various industries, including automotive, electronics, and aerospace. Companies such as General Motors, Ford, and Boeing established extensive operations in Mexico.

Post-NAFTA and USMCA (2018-Present)

The United States-Mexico-Canada Agreement (USMCA), which came into force in 2020, replaced NAFTA and brought new rules aimed at modernizing trade relationships. These changes include stricter rules of origin for automotive products, requirements for higher labor standards, and enhanced IP protections, which have continued to support Mexico’s manufacturing sector.

The USMCA has spurred over [\\$68 billion](#) in new economic activity. In 2022, total trade between the U.S., Mexico, and Canada reached a record \$1.78 trillion, a 27% increase over 2019 levels. This growth underscores the agreement’s effectiveness in boosting trade despite global economic challenges.

The agreement has also been instrumental in [job creation](#), supporting 2.4 million jobs in the US linked to exports to Canada and Mexico. Across the three countries, trade under USMCA supports approximately 9.5 million jobs, but these jobs have to adhere to stricter labor and environmental standards. USMCA includes strong labor and environmental provisions. The rapid response mechanism (RRM) addresses labor violations promptly, and the agreement mandates [higher labor standards](#), particularly in the automotive sector where 40% of production must come from high-wage

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The digital trade and intellectual property protections of USMCA are also significant. They prohibit customs duties on digital products and services, ensure cross-border data transfer, and provide strong IP enforcement mechanisms.

In 2020, NAFTA was replaced by the United States-Mexico-Canada Agreement (USMCA) to eliminate barriers to trade and investment between the three countries, creating one of the world's largest free trade zones.

Key Industries in Mexico



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In addition to automotive, [major manufacturing sectors](#) in Mexico include automotive,

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exporter of U.S. auto parts. The [Mexican Automotive Industry Association](#) estimates that Mexico will become the fifth-largest global vehicle producer by 2025.

Aviation and Aerospace: For the past few years, aerospace and aviation have been a focus of economic development goals and a priority for the commercial sector in Mexico. Mexico's aerospace industry is the seventh-largest export market for the U.S.

Custom Mechanical Parts: Mexico's strategic location and trade agreements have made it an important player in the production of custom mechanical parts. Industries such as automotive, aerospace, and industrial machinery have leveraged Mexico's manufacturing capabilities, skilled workforce, and proximity to the U.S. to produce custom parts efficiently.

Medical Devices: Mexico is the [largest manufacturer](#) of medical devices in North America. These include everything from catheters to robotic surgery tools. Mexico exports 92% of its medical devices to the United States and Canada.

Many successful companies have already relocated manufacturing to Mexico, and more are expected to follow.

Looking Ahead



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quality, as well as greater visibility into the supply chain, make nearshoring to Mexico a sound business decision. Recent global supply chain disruptions, such as the COVID-19 pandemic and geopolitical tensions, have accelerated nearshoring trends. Companies are increasingly looking to relocate production closer to their primary markets to reduce risks associated with long supply chains. This has led to renewed interest in Mexico as a manufacturing hub.

As more U.S. supply chain and manufacturing leaders prioritize North American sourcing options, Mexico is an affordable, logistically streamlined, free trade supported, and high-quality manufacturing partner for those seeking a resilient, regionally diverse supply chain.

Follow me on [LinkedIn](#). Check out my [website](#).

This is the 2nd part of a four-part series on key global manufacturing regions: India, Mexico, China, and the U.S.

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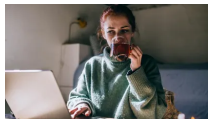
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