Mexico bows to US pressure over trade with China

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While China has become Mexico's fastest-growing foreign investor, more than quadrupling its investment in the last four years, the United States remains its largest source of foreign direct investment, accounting for roughly 40 percent of the total of US$40 billion.

Due to US attempts to sanction China and "nearshore" production, Mexico has surpassed China as Washington's top trading partner. Mexico is now also the US's second largest export market.

Despite increasing investment from the world's two largest economies, in theory an economic plus, Mexico in May decided to impose tariffs between of 5 and 50 percent on over 500 products from countries with which it does not share a free trade agreement, including China, thereby impacting around 90 percent of Chinese exports to Mexico.

This no doubt was a response to the December visit to Mexico by US Treasury Secretary Janet Yellin, who called for Mexican authorities to make "transparent" the origin of foreign investment and assembly inputs in the country, in order to protect "US national security."

While US pressure played the biggest role in imposing tariffs, Mexico also took these measures in an attempt to reverse its trade imbalance with China—it imports about nine times what it exports. Mexican Finance Minister Rogelio Ramirez de la O complained that "China sells to us and does not buy from us. This is not reciprocal trade."

Ramirez de la O elaborated:

> Mexico, like North America, needs to produce more than it consumes, we are relying too much on China for basic products for our households. Since China joined the World Trade Organization (WTO) 22 years ago it has increased its contribution to global trade from 3.8 percent to 14 percent. This increase was largely at the expense of North America ... It is logical that both Americans and Mexicans are claiming our fair share of this global demand.

The Republican and Democratic parties in the US have been united in stressing a supposed need to keep China from evading sanctions through investment and exports to Mexico.

The intention of Chinese companies to open vehicle assembly plants in Mexico has particularly alarmed US lawmakers, who claim it is an attempt to take advantage of Mexico's trade compact with the US and Canada.

The world's largest electric vehicle producer, China's BYD, has been in talks with different states in Mexico to locate a new factory, which BYD projects will generate 10,000 jobs. At this time, there is only one small car factory of a Chinese brand in Mexico, funded by Mexican capital.

The US recently went after Mexican steel and aluminum products from which cars are produced. On July 10, the White House announced that tariffs of 25 percent and 10 percent, respectively, will be charged on metal from Mexico if the country does not prove that it is of entirely Mexican origin. The White House added Mexico will have to pay a 10 percent tariff on aluminum products that have been melted or molded in China, Russia, Belarus or Iran.

Mexican President Andrés Manuel López Obrador (AMLO) of the ruling Morena party immediately yielded to this dictate, with only one condition: that "special treatment" be given to metals from Brazil and components containing them, claiming a "special" relationship with Brazil and substantial Mexican reliance on imports from the South American country.

AMLO also asserted that the US had agreed that the requirement of the United States-Mexico-Canada Agreement (USMCA) that as of 2027 all steel exported to the United States will be dumped and cast in North America will be waived as to Brazil.

AMLO explained the need to succumb to the dictates of US imperialism as follows:

> It is very important to maintain the partnership with Canada and the United States, which is established in the trade agreement … Mexico has the possibility of exporting steel and other goods to the United States and Canada and benefits from that because plants, factories are established in our country. And there is investment, jobs are generated, and from Mexico we are exporting to the United States and Canada. We are the main trading partners of the United States and exports from Mexico to the United States are growing a lot.

The economic dictates of the Biden administration to Mexico do not go far enough for Donald Trump. In an interview with *BusinessWeek* magazine on Tuesday of last week Trump said that Biden's policy of nearshoring production from China to Mexico was not enough:

Something really bad is happening there in Mexico. China is building huge car plants. They are going to put the UAW [auto workers' union] out of work. They are building them in Mexico to manufacture cars to sell in the United States, what do we gain from this?

I want them to build here. That's the other thing that tariffs do. If you impose tariffs on companies, they will build here, because they will not want to pay the tariff.

Trump continued:

> [Nearshoring to Mexico] wasn't going to happen in my time, you know why? Why did I stop all that, everyone was moving to Mexico. They were building in Mexico, they had no taxes to pay and they are selling them in the United States. There wouldn't even have been an automobile industry if I hadn't prevented that.

Trump went on to propose that if he wins the election this November, he will impose a universal tariff on all imports of 10 percent, something that likely would affect Mexico more than any other country.

At Trump's campaign rally on July 20 in Grand Rapids, Michigan, Trump said that in his first term, between 2017 and 2021, the Government of Mexico gave him "everything he wanted" in negotiations on issues such as trade and migration.

Trump said he had threatened to impose tariffs on imports from Mexico in 2019 unless the country cracked down on migration and boosted border security. He said that he had told Lopez Obrador's representative, then Foreign Minister Marcelo Ebrard, that he would place tariffs on cars if Mexico did not cooperate. AMLO and the Mexican state did in fact then fully cooperate with AMLO's "friend" Trump's crackdown on migrants.

In response to Trump's threat to impose tariffs on cars imported from Mexico AMLO said, "What they are telling you that cars can be built in the United States, means that on average each car sold in the United States would cost the American citizen between 15 and 20 thousand dollars more." He insisted that an eventual closure would not be tolerated by companies, investors, or workers, which amounted to little more than wishful thinking.

This was shown when Tesla head Elon Musk immediately put on hold construction of a multibillion-dollar EV factory in Monterrey in northeast Mexico until after the US election. Musk said Tesla was proceeding cautiously because "It doesn't make sense to invest a lot in México if that's the case."

Mexico's hopes that emerging trade barriers between the US and China would lead to companies relocating to Mexico and pouring resources into the economy are rapidly dissipating.

The IMF has lowered its growth outlook for Mexico for the second time, which it now expects to be 2.2 percent by the end of the year. Analysis firms and investment funds have done the same, so the government's forecast of 2.5 percent is becoming more and more distant. This implies a slowdown compared to the 3.2 percent increase seen in 2023.

The Mexican working class is bearing the brunt of difficult economic conditions.

Manufacturing production has fallen, as has consumption, while the creation of new formal jobs has slowed. In the second half of this year, the weakness of the US economy, as well as the US electoral process are expected to add to the negative factors for Mexico.

Consumption has fallen significantly so far this year. A preliminary estimate by Inegi for June points to a monthly drop that could be explained, at least in part, by the increase in the prices of fruits and vegetables. Headline inflation reached 4.98 percent in the last month, its highest peak so far in years, and some foods have risen in price by 130 percent, so the Mexican masses have had to adapt by buying considerably less.

The informal sector of the economy continues to account for a staggering share of GDP (currently 24 percent) and 55 percent of employment. It is made up of mostly small businesses that are not taxed or regulated, with workers who lack benefits such as health care and pensions.

López Obrador recently stressed that, as a result of the social policy promoted during his administration, 30 million families receive some monetary transfer from social programs, and the rest of the population benefits from the increase in consumption, in such a way that "all Mexicans are doing well." Nothing could be further from the truth.

In stark contrast, the wealth of Mexico's five richest men has grown by an average of 226.6 percent under the AMLO administration. According to Bloomberg lists, the combined wealth of Carlos Slim, Germán Larrea, Ricardo Salinas, Alejandro Baillères and Juan Beckmann Vidal and their families adds up to 158.6 billion dollars to date.

During López Obrador's administration, the wealth of Carlos Slim, president of América Móvil, increased 78.1 percent, from 52.9 billion dollars to 942 billion; that of Germán Larrea, executive director of Grupo Mexico, the largest mining company in the country, and concessionaire of the largest extension of railroads in the country, ballooned 944.2 percent, increasing from 3.6 to 37.8 billion dollars, and that of Ricardo Salinas Pliego, president of Grupo Salinas, rose 28.7 percent. from 10.1 to 13 billion dollars.

The president of Grupo Bal, Alejandro Baillères, recently entered the Bloomberg list with a wealth that reaches 6.9 billion dollars; meanwhile, Juan Beckmann Vidal and his family, owners of Becle, José Cuervo's controlling company, increased their fortune 82.2 percent, from 3.7 to 6.7 billion dollars.

Slim now ranks 14th among the richest persons in the world, followed by Germán Larrea in 41st place, Ricardo Salinas in 169th place, Alejandro Baillères in 408, and Juan Beckmann Vidal and his family in 419.

López Obrador last week extolled the ultra-good fortune of the Mexican oligarchy:

> Imagine, there is not one of the big businessmen who has failed; on the contrary, they have all had profits, and there are businessmen who have increased with their work and with their entrepreneurial capacity, creating jobs and legally, they have doubled their fortune. The bankers, I am even ashamed to say it, but in our government, last year, this year, is when the banks have had the most profits in the entire history of Mexico.

In the final analysis, despite his rhetoric, AMLO and his government have served the interests of the US and Mexican oligarchies above all. The incoming administration of AMLO's Morena successor, president-elect Claudia Sheinbaum, will only bring more of the same.

Mexican workers can advance their interests only by uniting their struggles with workers in the United States, throughout the Americas and worldwide to overthrow the entire oligarchic economic setup, which is grounded on economic exploitation of the masses and the drive to war.