THE OTHER SIDE OF THE COIN

CHAPTER 2: ON CHINA

TABLE OF CONTENTS

Industria Nacional
de Autopartes, A.C.

1

THE OTHER SIDE OF THE COIN ON CHINA – AT A GLANCE

If all sectors performed similarly to auto parts, Mexico would have a trade surplus.

THE AUTO PARTS SECTOR ACCOUNTS FOR MORE THAN 28.2% OF MEXICAN EXPORTS, WHILE ITS IMPORTS REPRESENT ONLY 3.5%.

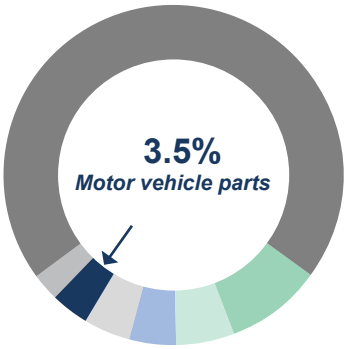
This positions it as the most important export sector.

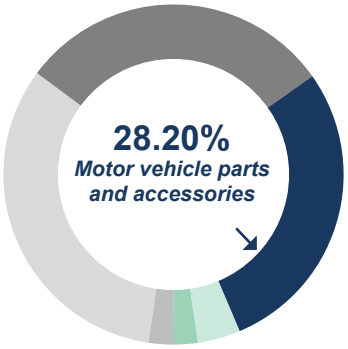
MAIN PRODUCTS IMPORTED FROM CHINA

In 2022, Mexico imported $118.7 billion USD from China.

. Percentage of total imports:

- **9.4%** *Telephone devices*
- **5.5%** *Machine parts and accessories*
- **4.5%** *Data processing units*
- **4.4%** *Integrated circuits*
- **2.7%** *Liquid crystal devices*
- **70.1%** *Others*





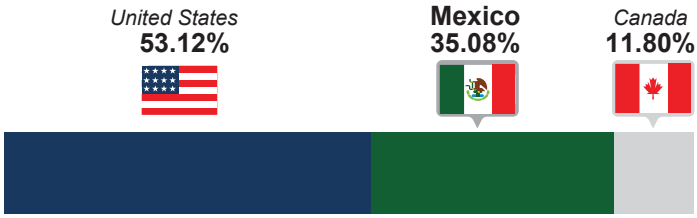
MAIN PRODUCTS EXPORTED TO CHINA

Percentage of total exports

- **30.50%** *Copper ores and concentrates*
- **4.00%** *Electric lighting or signaling equipment*
- **2.50%** *Control panels, consoles, and electrical distribution bases*
- **2.10%** *Integrated electronic circuits*
- **32.72%** *Telephone devices*

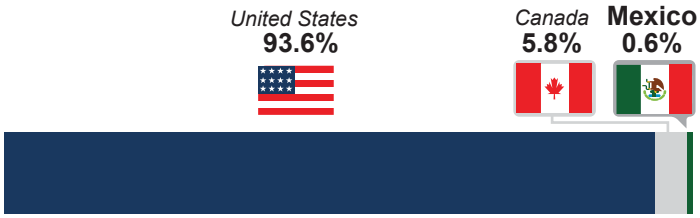
IMPORTS FROM CHINA TO NORTH AMERICA

Import share of auto parts, 2024

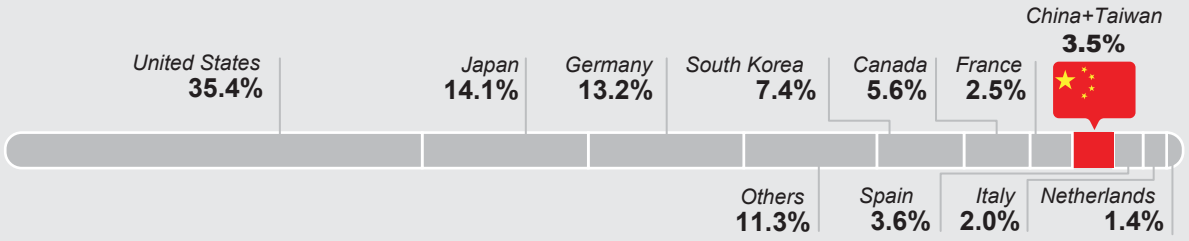


FDI FROM CHINA

2012 to 2023 in the United States, Mexico, and Canada



In Mexico, Chinese companies account for only 3.5% of the total auto parts companies.



Source: INA based on information furnished by the Secretariat of Economy, Bureau of Economic Analysis, US Department of Commerce, and Statistics Canada. S&P Global Mobility, 2025.

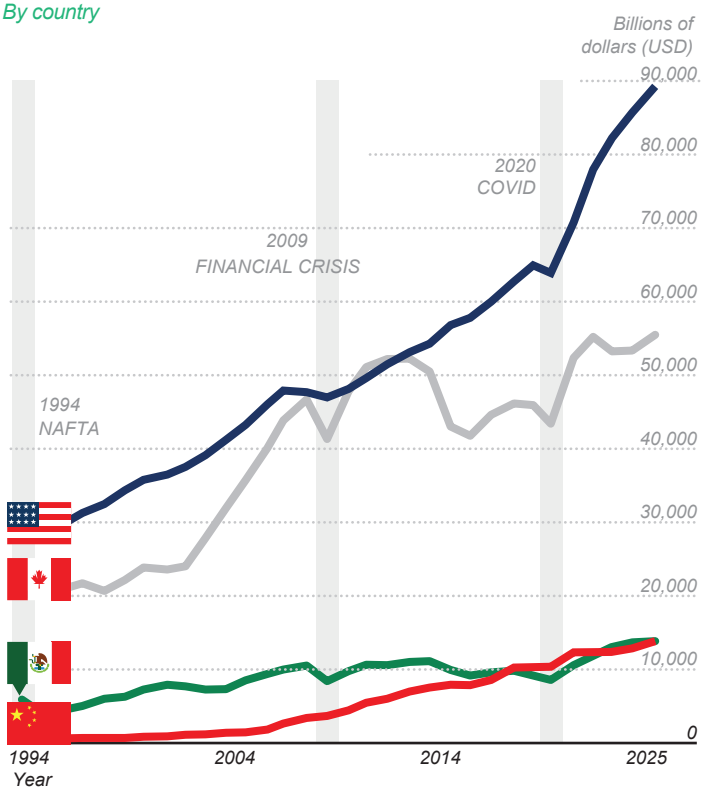
2

TRADE LIBERALIZATION STRENGTHENED NORTH AMERICA, BUT ASIA REDEFINES CURRENT CHALLENGES

The evolution of the United States' GDP per capita has tripled since trade liberalization with the signing of NAFTA in 1994. Mexico and Canada have followed upward trajectories, managing to double their GDP over the same period. China, with a strategy focused on trade and manufacturing, has shown the highest growth rate, surpassing Mexico in 2020 in terms of GDP per capita, though still significantly below the levels of the U.S. and Canada.

GDP PER CAPITA

By country



Trade liberalization has been a key factor in strengthening and stabilizing the automotive industry in North America, enabling U.S. companies and workers to compete more effectively with other regions of the world.

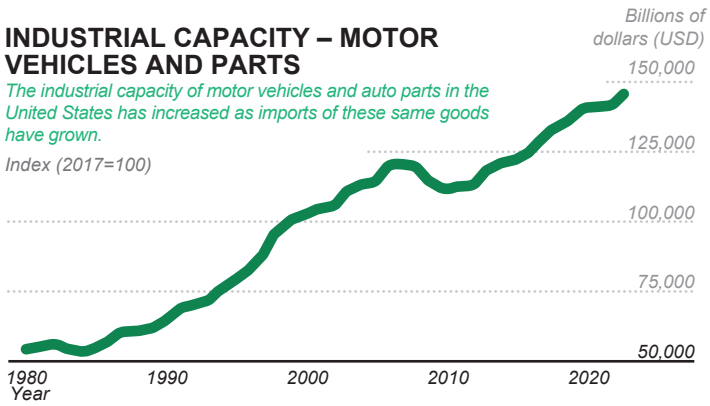
Source: INA based on information furnished by the International Monetary Fund.

Trade agreements such as NAFTA and the USMCA have reduced trade barriers, attracted foreign investment, and strengthened the competitiveness of the automotive sector in North America. Although there are negative perceptions regarding trade deficits, in the automotive sector these have coincided with an increase in U.S. manufacturing capacity and output, demonstrating that imports have complemented industrial growth. However, globalization has also driven Asia —particularly China—to become a key supplier in this chain. In light of this scenario, North America must refine its strategy to leverage regional strengths in the face of Asian competition, not only in terms of cost but also in scale and innovation. Thanks to its location, skilled labor force, and trade agreements, Mexico emerges as a strategic alternative to mitigate risks, reinforce regional supply chains, and strengthen the region's industrial autonomy.

INDUSTRIAL CAPACITY – MOTOR VEHICLES AND PARTS

The industrial capacity of motor vehicles and auto parts in the United States has increased as imports of these same goods have grown.

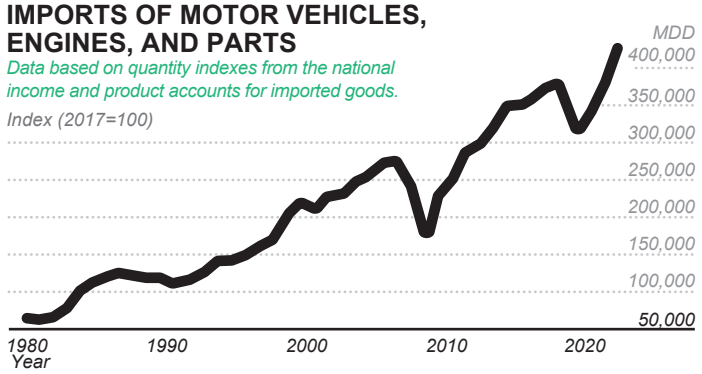
Index (2017=100)



IMPORTS OF MOTOR VEHICLES, ENGINES, AND PARTS

Data based on quantity indexes from the national income and product accounts for imported goods.

Index (2017=100)



Source: INA based on information furnished by NAICS: 3361-3. Economic data from the Federal Reserve Bank of St. Louis, and National Income and Product Accounts, Bureau of Economic Analysis.

3

MEXICO IS THE NORTH AMERICAN COUNTRY WITH THE LEAST TRADE DEPENDENCY ON ASIA

SHIFT IN GLOBAL TRADE LEADERSHIP: U.S. VS. CHINA

At the beginning of the year 2000, total U.S. trade exceeded $2 trillion USD—more than four times the $474 billion recorded by China at that time.

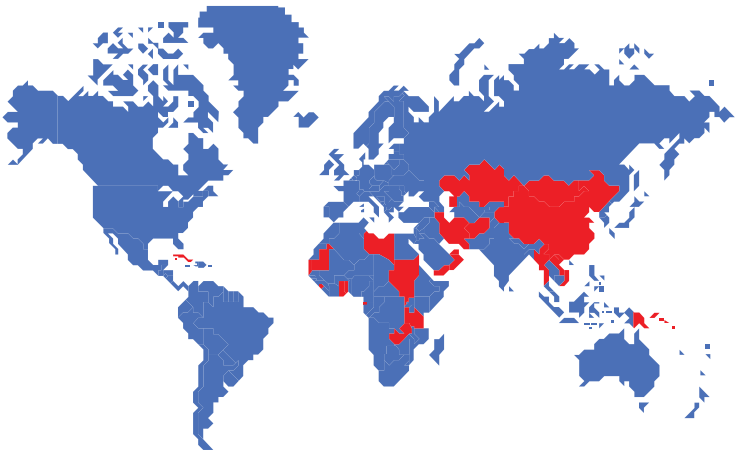
However, between 2000 and 2024, the two countries followed very different paths: while U.S. trade grew by 167%, with a compound annual growth rate (CAGR) of 4.2%, China's foreign trade increased by 1,200%, with a CAGR of 11.3%..

THIS ACCELERATED PACE ALLOWED CHINA TO SURPASS THE U.S. IN TOTAL TRADE VOLUME SINCE 2012.

U.S. as the main trading partner

China as the main trading partner

2020



At that time, China was the main trading partner of only a few countries, including Cuba, Iran, Libya, Myanmar, Mongolia, North Korea, Oman, Sudan, Tanzania, and Vietnam.

Figures in billions of dollars.

Exports *Imports*

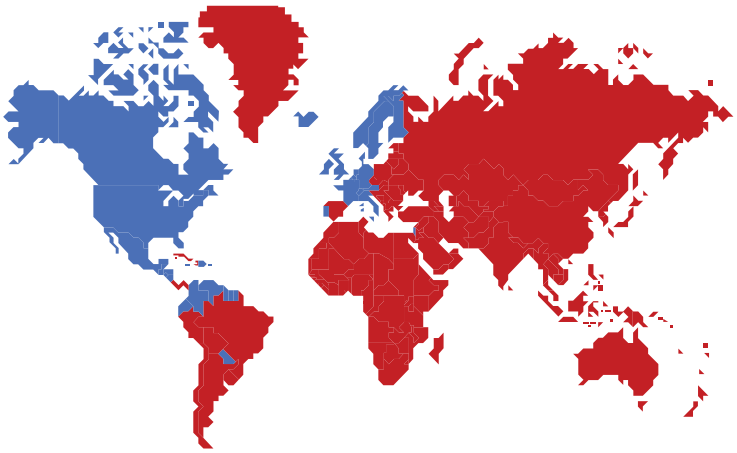
TOTAL **$2,000**

$782	$1,218

TOTAL **$474**

$249	$225

2024



By 2024, China's total trade value reached $6.2 trillion USD, compared to $5.3 trillion USD for the United States—marking a new phase in the competition for global trade leadership.

Figures in billions of dollars.

Exports *Imports*

TOTAL **$5,333**

$2,065	$3,267

TOTAL **$6,163**

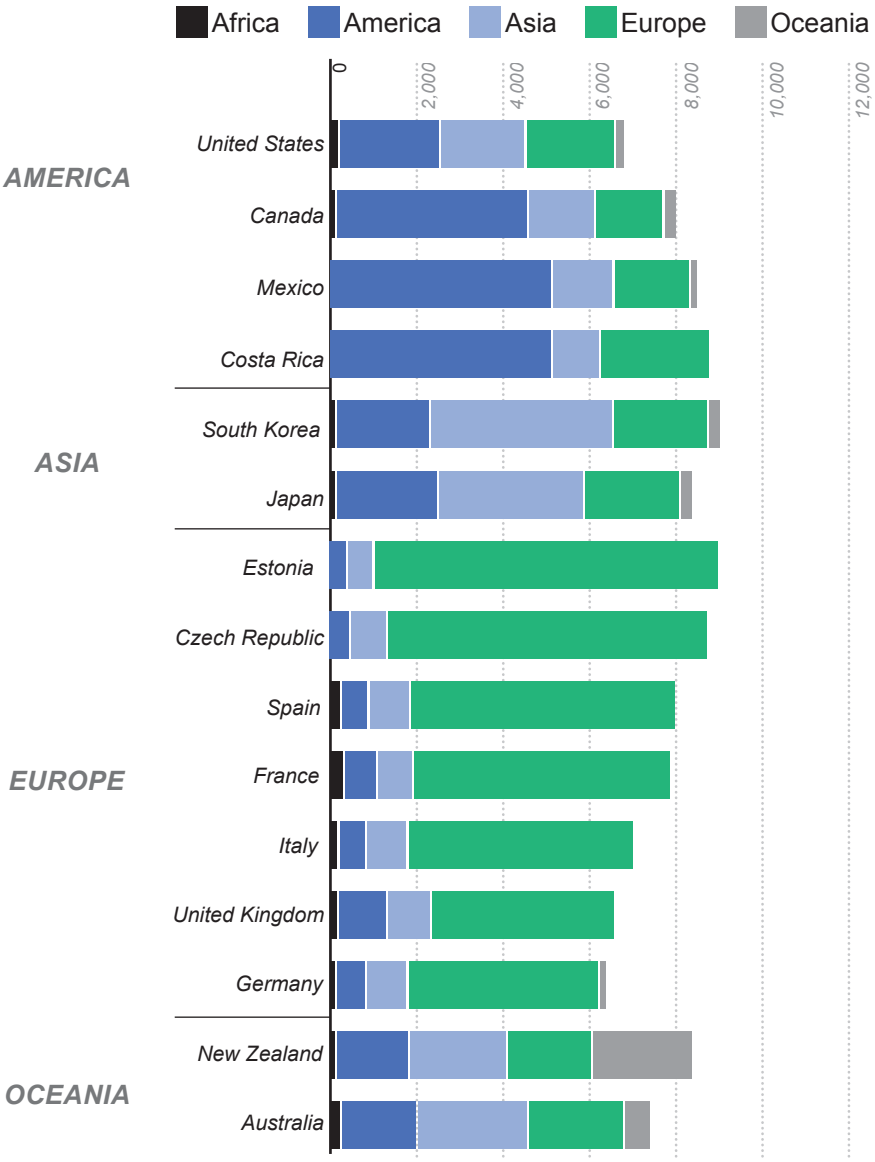
$3,575	$2,587

Source: INA based on information furnished by the U.S. Census Bureau and the General Administration of Customs of China.

ACCORDING TO THE OECD, MEXICO IS THE NORTH AMERICAN COUNTRY WITH THE LOWEST TRADE DEPENDENCY ON ASIA. WHILE THE UNITED STATES CONCENTRATES A HIGHER VOLUME OF IMPORTED PRODUCTS FROM ASIAN SUPPLIERS—PARTICULARLY CHINA—MEXICO MAINTAINS A MORE BALANCED TRADE STRUCTURE, PRIMARILY FOCUSED ON INTRAREGIONAL TRADE WITH THE UNITED STATES AND CANADA. IN CONTRAST, THE U.S. SHOWS THE HIGHEST LEVEL OF DEPENDENCE ON ASIA IN THE REGION, REFLECTING ITS DEEP INTERCONNECTION IN SECTORS SUCH AS ELECTRONICS, MACHINERY, AND MANUFACTURING.

REGIONAL DIMENSION OF IMPORT DEPENDENCY IN OECD COUNTRIES

Number of import dependencies for all products by exporter region, 2017 to 2019.

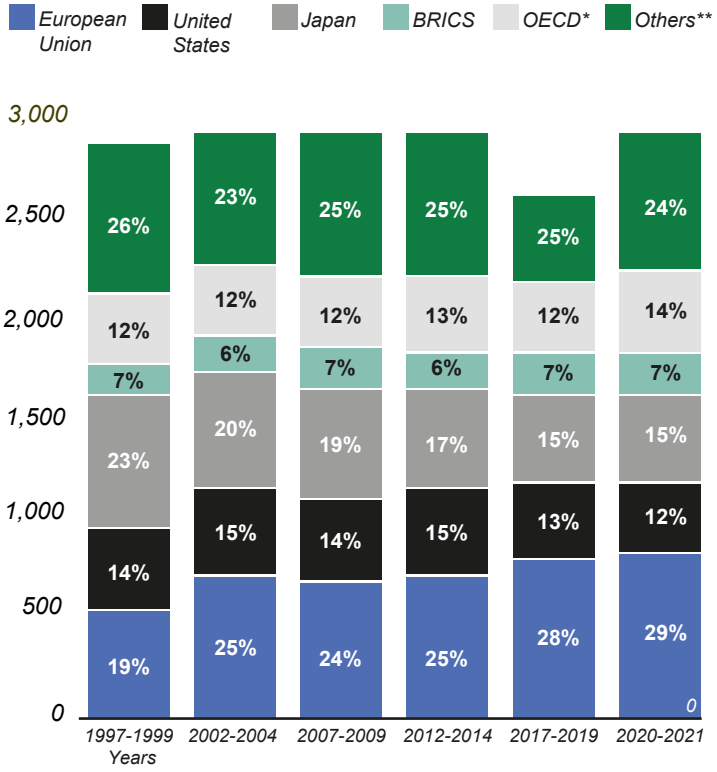


Source: INA based on information furnished by the OECD, calculations using BACI data.

In fact, the United States has reduced its importance in China's supply chains. Over the period from 1997 to 2021, the European Union has emerged as China's main strategic supplier, with steady growth leading it to account for 29% of China's dependencies in 2020–2021. This increase highlights the strong interdependence between the two economies, especially in advanced sectors such as machinery and high technology. The United States, for its part, has reduced its share in China's strategic imports, dropping from 14% to 12%.

EVOLUTION OF CHINA'S IMPORTS

Number of China's strategic import dependencies, by exporting country or region and share (%)

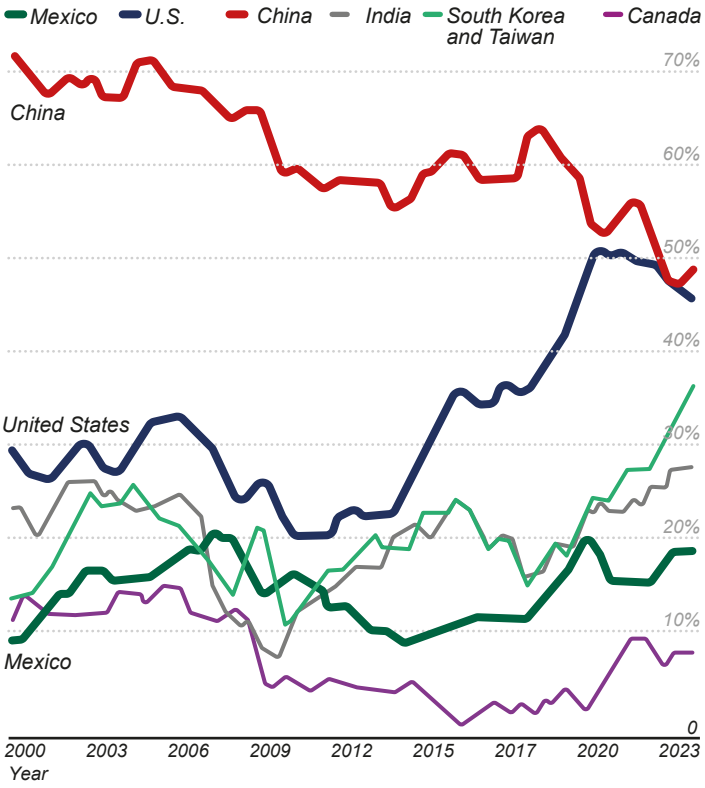


Source: INA based on information furnished by the OECD, calculations using BACI data (Base pour l'Analyse du Commerce International).
**Excluding U.S., Japan, and European Union / **Non-OECD.*

China has historically been the main contributor to the United States' overall trade deficit, accounting for more than 50% during several periods. Although its share has slightly declined in recent years, China remains the country with the greatest impact on the U.S. trade imbalance.

TRADE DEFICIT

Percentage of total U.S. trade with selected trading partners



Mexico ranks among the countries with the lowest contribution to the United States' trade deficit, positioned just above Canada. Unlike regions such as Southeast Asia, the European Union, Korea, Taiwan, and India—whose share of the deficit has increased in recent years—Mexico maintains a more balanced trade relationship, characterized by the export of inputs, U.S. content, and shared value.

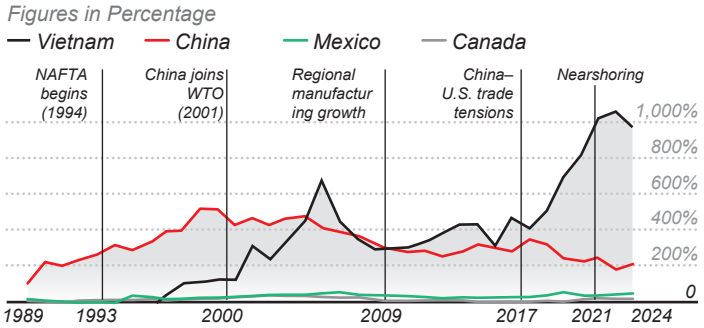
Source: INA based on information furnished by Bloomberg, 2024.

THE U.S. TRADE DEFICIT WITH VIETNAM IS ALMOST 20 TIMES LARGER THAN WITH MEXICO

In 2024, for every dollar exported to Vietnam, the United States imported nearly ten, resulting in a 976% trade deficit. In contrast, the deficit with Mexico was only 49.5%, highlighting a much more balanced trade relationship. Unlike Vietnam, Mexico not only imports U.S. products but also integrates them into its production processes, strengthening regional supply chains within the framework of the USMCA.

U.S. Trade Deficit by Country

2024 data accumulated through September



Source: INA based on information furnished by De la Calle, Madrazo Mancera and USITC.

IMPACT OF THE IMPROPER USE OF COMPUTER EQUIPMENT TARIFF CODES ON THE FIGURES FOR U.S. IMPORTS OF MEXICAN AUTO PARTS

A DISTORTION HAS BEEN IDENTIFIED IN THE EXPORT STATISTICS OF MEXICAN AUTO PARTS, PARTICULARLY UNDER THE RECORDS GENERATED FROM PROCLAMATION 10908, RELATED TO TECHNOLOGICAL PRODUCTS—MAINLY OF CHINESE ORIGIN—THAT TRANSIT THROUGH MEXICO TO ENTER THE U.S. DUTY-FREE.

This is due to the improper use of tariff code 84.71 under the USMCA, which originally allowed the import of inputs to be integrated into industrial processes. It is now being used to classify laptops, processing units, and data storage devices, without undergoing a substantial transformation or integration into auto parts manufacturing processes.

It is important to prevent products unrelated to the automotive value chain from distorting the sector's economic and trade indicators. This review is crucial to strengthen transparency and traceability in the sector, as well as to ensure the correct application of USMCA trade instruments and maintain the industry's competitiveness.

U.S. TARIFF CODE	U.S. TARIFF DESCRIPTION	JAN-APR 2024 (USD)	JAN-APR 2025 (USD)	VARIATION
84718040	*Unit suitable for physical incorporation into automatic data processing machine or unit thereof, not entered with the rest of a system*	$38,485,853	$1,055,349,176	2,642%
84713001	*Portable automatic data processing machines, not over 10 kg, consisting at least a central processing unit, keyboard and display*	$82,946,068	$565,583,818	582%
84717040	*ADP magnetic disk drive storage units, disk dia. n/ov 21 cm, not in cabinet, w/o attached external power supply, n/entered w/rest of a system*	$2,031,031	$7,751,672	282%
84715001	*Processing units other than those of subheading 8471.41 and 8471.49*	$10,157,249,379	$21,102,023,511	108%
84717060	*ADP storage units other than magnetic disk, not in cabinets for placing on a table, etc., not entered with the rest of a system*	$10,779,932	$19,445,761	80%

4

MEXICO IS THE COUNTRY WITH THE LOWEST CHINESE INVESTMENT IN NORTH AMERICA

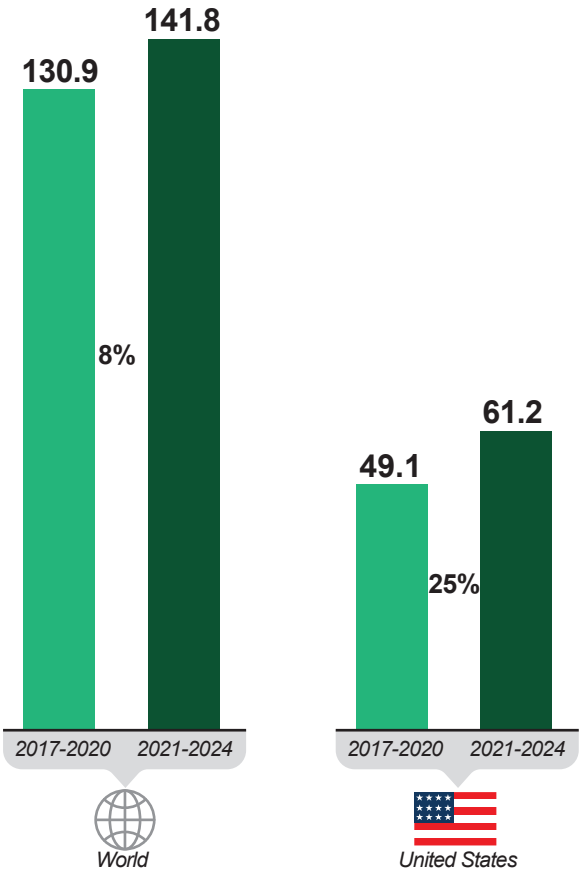
Between 2021 and 2024, foreign direct investment (FDI) from the United States to Mexico grew at a rate three times higher than investment from the rest of the world, with growth rates of 25% and 8%, respectively, compared to the 2017–2020 period.

During this same period, the United States became the main investor in Mexico, contributing $61.2 billion USD—equivalent to 43% of the total FDI received by the country.

FDI FLOWS

From the world and the United States to Mexico

Billions of USD

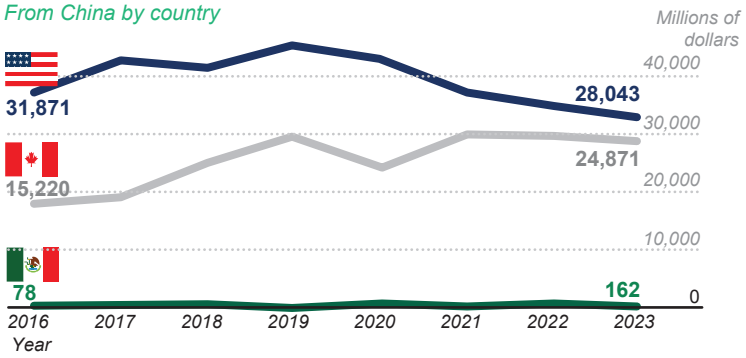


Source: INA with information from the Ministry of Economy.

China has clearly favored the United States and Canada as destinations for its investment in North America. While the U.S. remains the largest recipient in absolute terms, Mexico is the North American country that has received the least investment from China, with $1.687 billion USD in FDI from 2016 to date.

TOTAL FDI RECEIVED

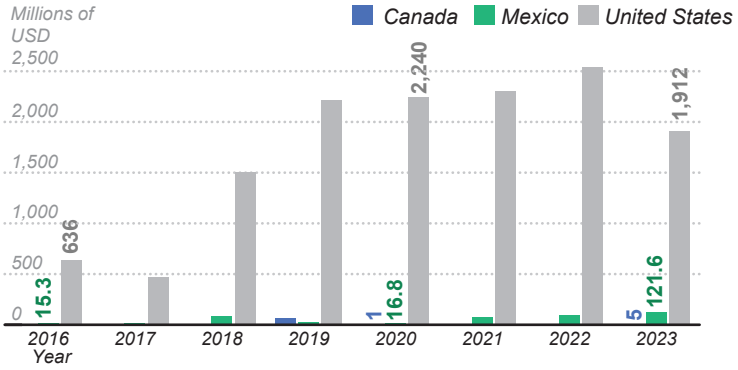
From China by country



The same trend is observed in FDI received in the auto parts sector from China.

AUTO PARTS SECTOR

FDI from China, by country

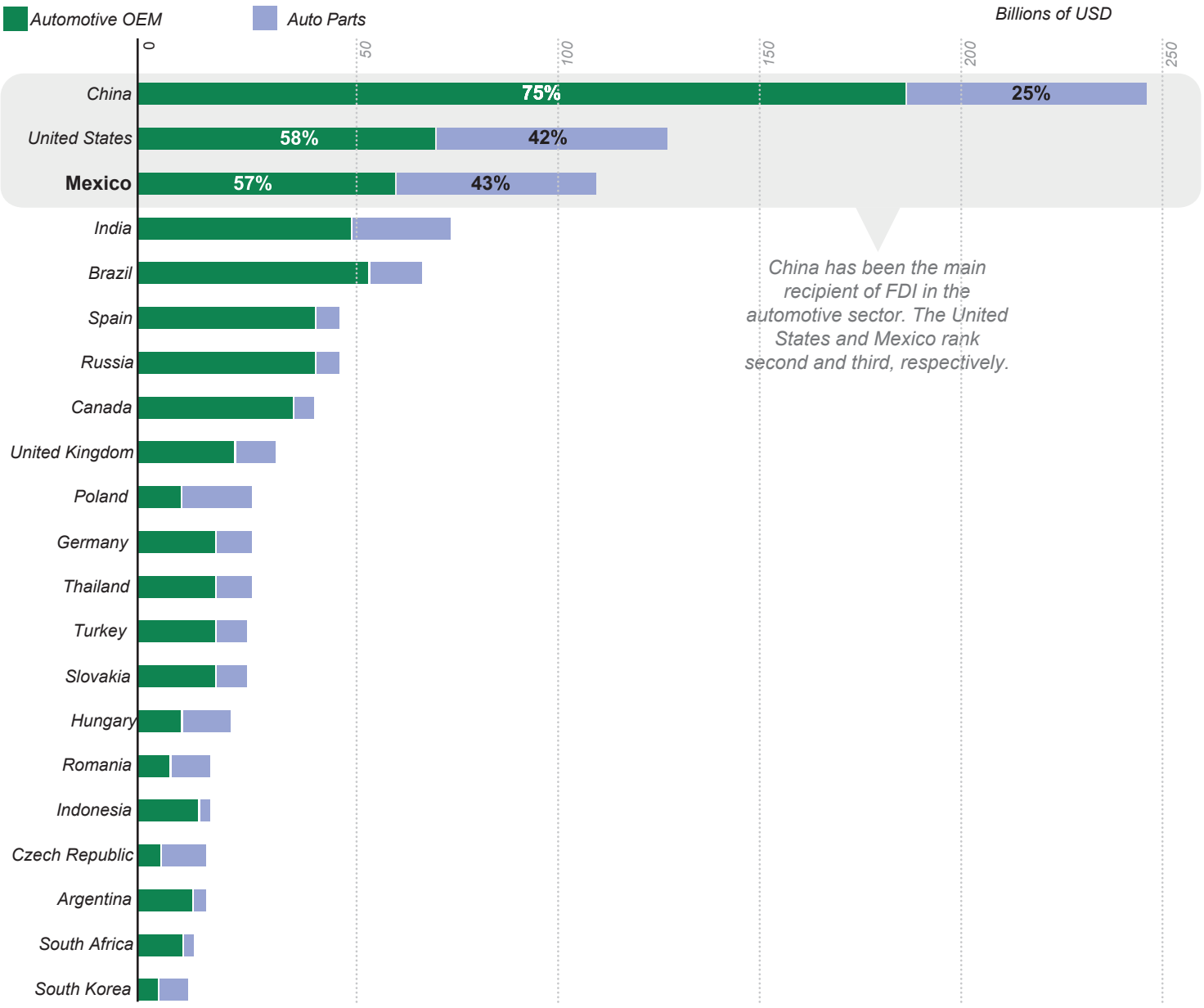


Currently, only 3.5% of companies in Mexico's auto parts sector are of Chinese origin, with 49 firms operating. In contrast, the U.S. holds 35.4% and Canada 5.6% of total participation, reflecting China's limited presence in Mexico's auto parts industry.

Source: INA based on information furnished by the Secretariat of Economy, Statistics Canada, and the U.S. Census Bureau.

Total FDI:
Mexico ranks third worldwide in automotive sector investment.

Data includes IED Markets groups: Automotive OEMs and auto parts components.



Source: INA based on information furnished by the OECD, calculations based on the FDI Index by the Financial Times.

5

TARIFFS: DRIVERS OF PRICE INCREASES AND VEHICLE INFLATION IN THE USA

In 2024, over 16 million vehicles were sold in the U.S.; 54% of them were manufactured locally, while the remaining 46% came from abroad and could be subject to new tariffs.

LIGHT VEHICLES

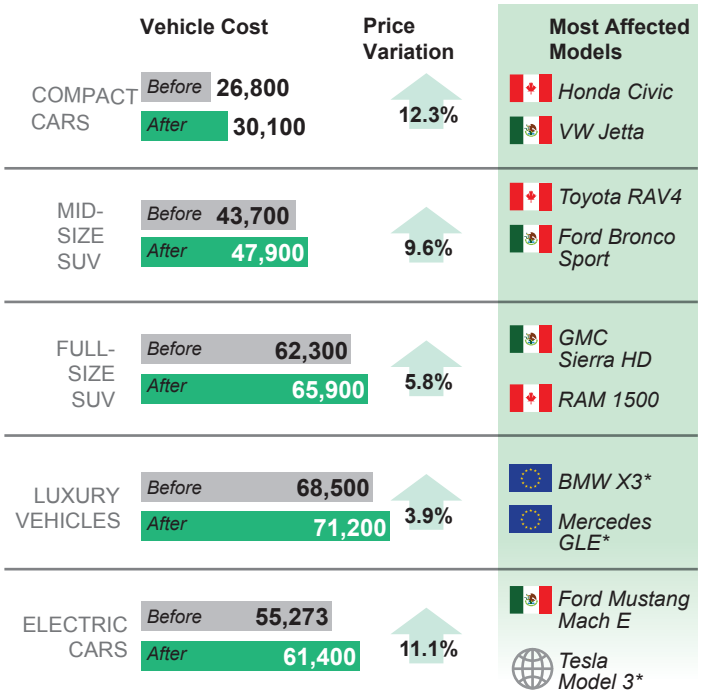
Of the more than 15 million light vehicles sold in the United States in 2024, just over half were manufactured domestically. The rest were imported and may be subject to a 25% tariff starting April 3.

Source: INA with information from S&P Global Mobility, 2025.

Tariffs can directly impact the buyer's wallet. For example, a 25% tariff on a vehicle could raise its price by up to $3,000.

In the case of a pickup truck, the price could rise by as much as $20,000 due to tariffs on steel, aluminum, and other key inputs.

THE ECONOMICS OF TARIFFS SHOWS DIVERGENT IMPACTS ACROSS DIFFERENT MARKET SEGMENTS

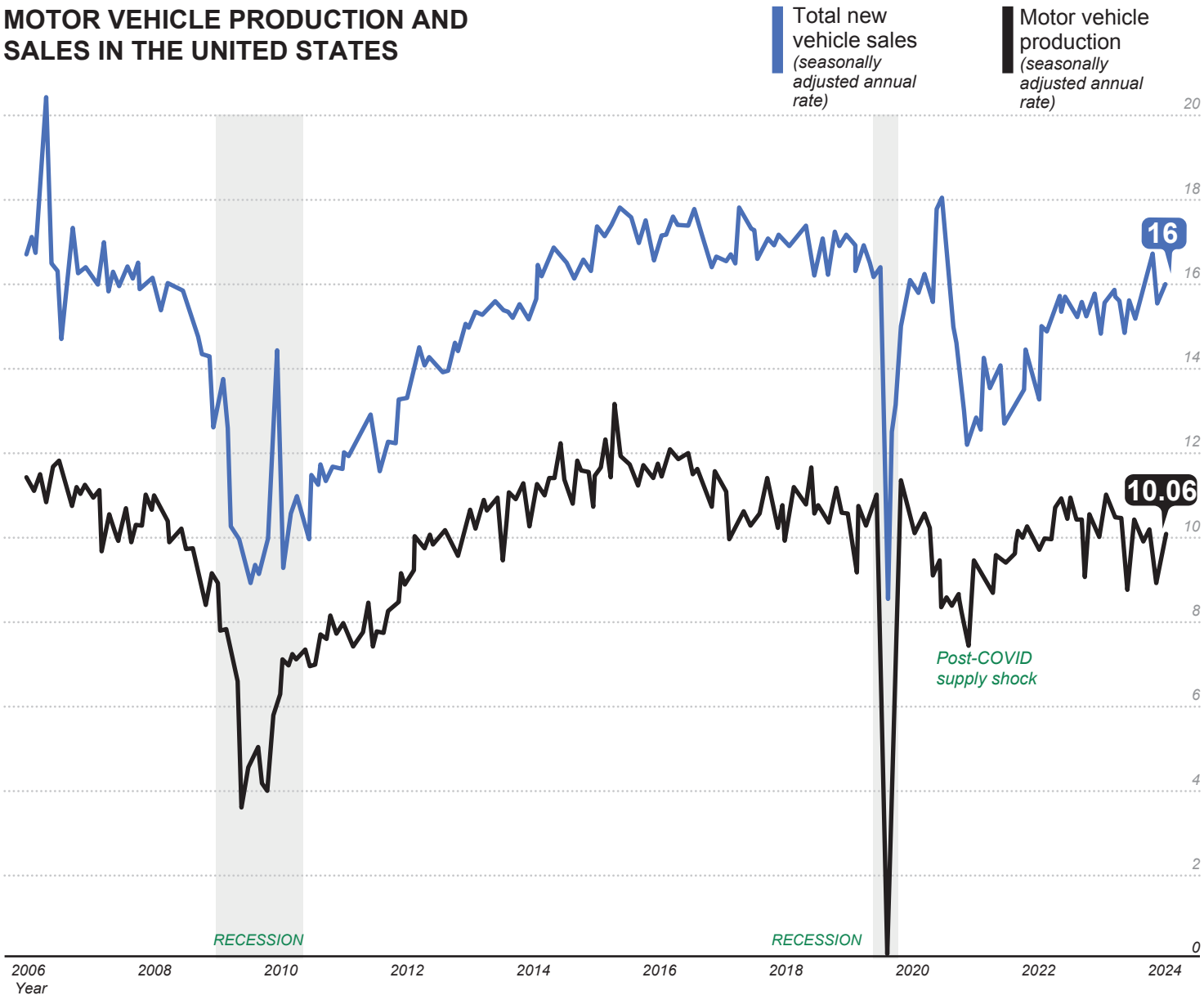


Tariffs could have a direct effect on the price of nearly half of the vehicles sold in the country, especially impacting consumers who purchase popular models produced in North America.

Source: INA based on information furnished by Cox Automotive, JD Power, 2025.
** Domestic, with parts manufactured abroad.*

The limited domestic production capacity, combined with steady demand, could worsen the supply-demand imbalance and intensify inflationary pressures in the U.S. automotive market—potentially leading to a scenario similar to the 2008 crisis or the COVID pandemic.

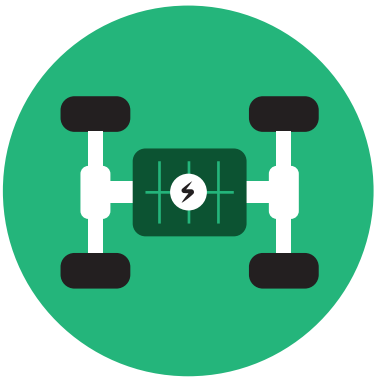
MOTOR VEHICLE PRODUCTION AND SALES IN THE UNITED STATES



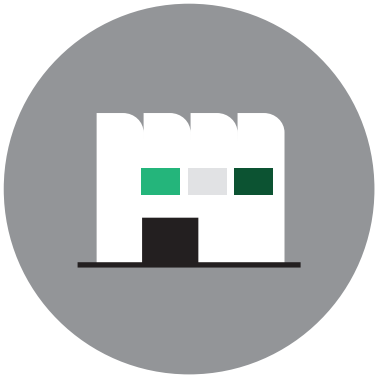
Source: INA based on information furnished by the Federal Reserve, U.S. Department of Commerce, 2025.

6

CHINA LEADS BATTERY CELL PRODUCTION, ESSENTIAL FOR ELECTRIC VEHICLES



Batteries are no longer just another component; they are profoundly transforming how automobiles are manufactured, accounting for nearly 40% of a vehicle's total cost. MASTERING THE TECHNOLOGICAL CHALLENGES ASSOCIATED WITH BATTERIES FOR ELECTRIC VEHICLES HAS BECOME ESSENTIAL FOR THE AUTOMOTIVE AND AUTO PARTS INDUSTRY. The challenges are not limited to production—they also involve the use of new and scarce materials, as well as complex processes that were not previously part of the automotive sector.



In 2022, China accounted for 77% of the world's battery cell production capacity (893 GWh), far surpassing Poland and the U.S., which each reached only 6%. This dominance is not just in numbers: China is home to six of the top ten battery manufacturers and controls the entire supply chain—from metal extraction to electric vehicle production.

TOP 10

Production capacity

	2022		2027	
1	China	893 GWH		
2	Poland	73 GWH		6,197 GWH
3	United States	70 GWH		908 GWH
4	Hungary	38 GWH		503 GWH
5	Germany	31 GWH		194 GWH
6	Sweden	16 GWH		135 GWH
7	South Korea	15 GWH		112 GWH
8	Japan	12 GWH	Canada	106 GWH
9	France	6 GWH	Spain	98 GWH
10	India	3 GWH		89 GWH
			Mexico	80 GWH

Although these countries rank among the top battery producers, a significant portion of that capacity is in the hands of Chinese companies. The global expansion of manufacturers such as CATL and BYD has resulted in a situation where, even outside of China, much of the production is controlled by Chinese capital—further reinforcing China's dominance in the global supply chain.

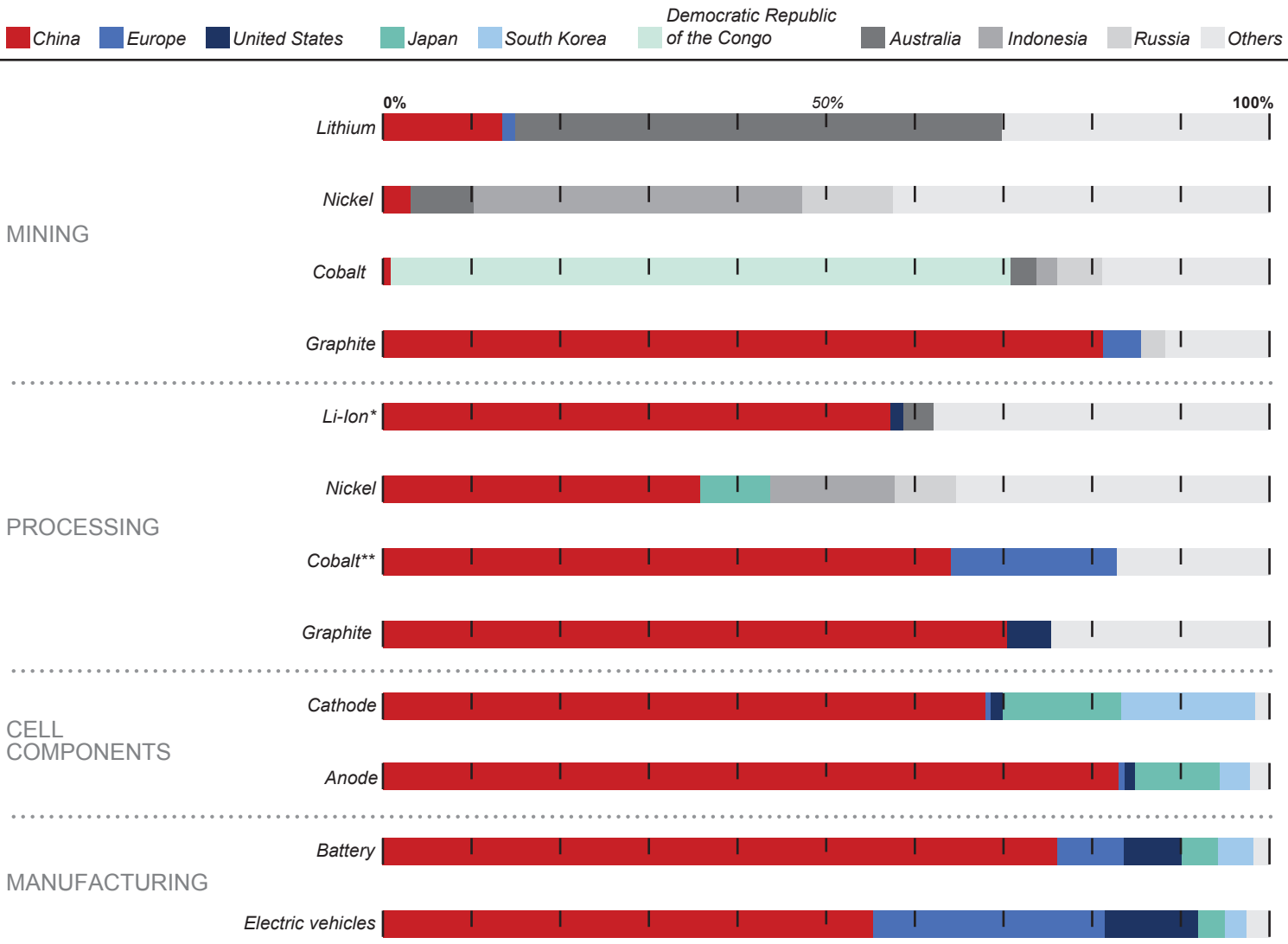
Source: INA based on information furnished by VC Elements, 2023.

By 2027, global lithium-ion battery production capacity is projected to increase eightfold over the coming years, with China maintaining its position as the leader, accounting for 69% of global capacity in 2027.

However, the United States is on track to increase its capacity more than tenfold. According to various analyses, both the U.S. and Europe would each need to invest over $80 billion dollars to establish fully localized supply chains if they aim to begin production by 2030.

BATTERY VALUE CHAIN

Geographic distribution of value added.



Source: INA based on information furnished by the International Energy Agency and Deloitte, 2023.

** The term lithium, when used in batteries, refers to lithium-ion batteries, also known as Li-Ion batteries.*
*** It is documented that many companies operating in Africa depend on Chinese investment.*

7

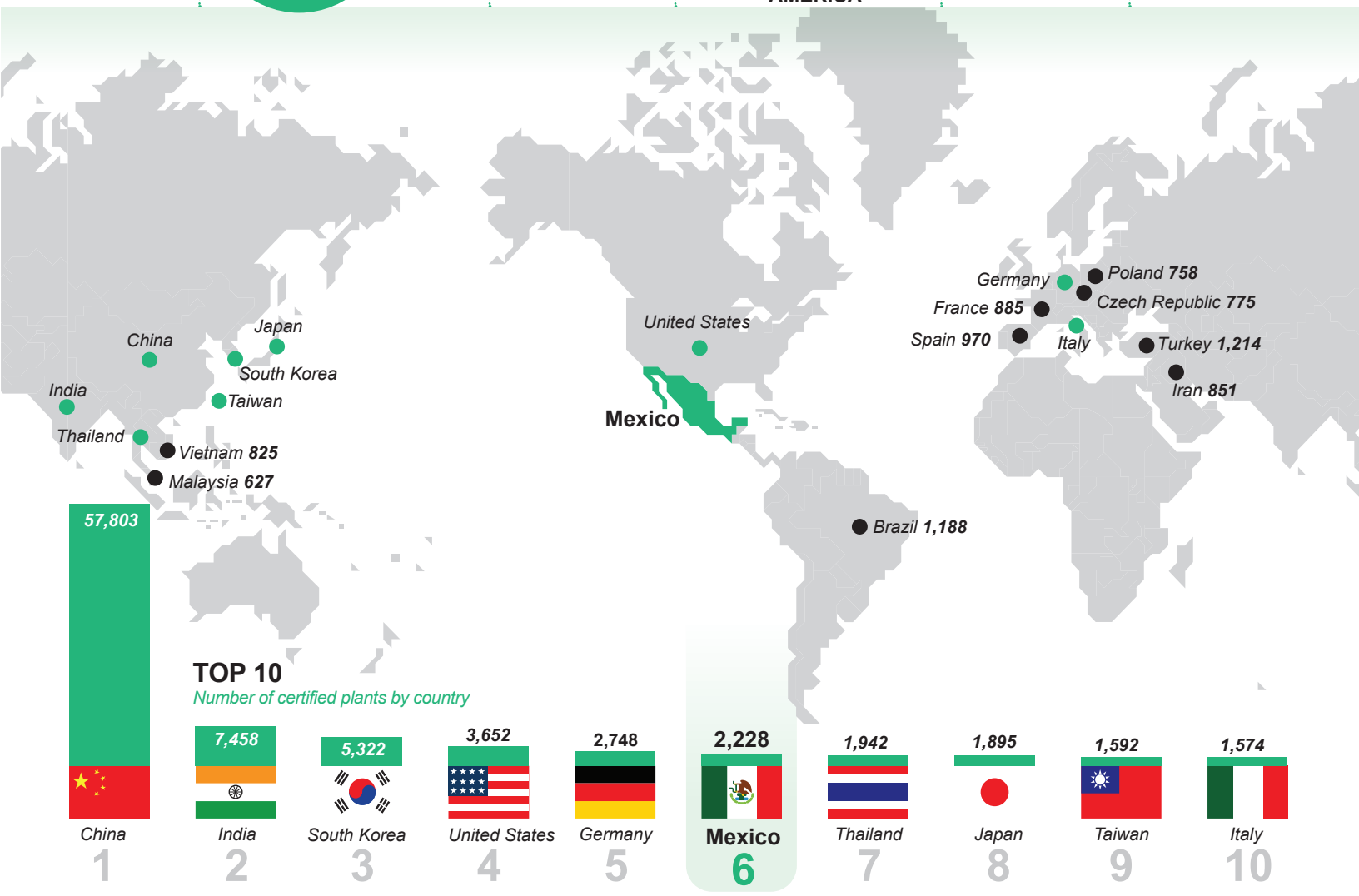
THE CHALLENGE OF REINDUSTRIALIZATION IN THE UNITED STATES OF AMERICA

NUMBER OF IATF CERTIFIED PLANTS

IATF certification is an international quality management standard specifically for the automotive industry. Having this certification is essential to be a supplier to global automotive manufacturers. Currently, there are 16,949 certified sites worldwide. Three Asian countries top the list with the highest number of certified plants.

Number of sites
% Percentage of the global total

AFRICA	ASIA AND PACIFIC	NORTH AMERICA	CENTRAL AND SOUTH AMERICA	EUROPE	MIDDLE EAST
620	78,257	6,301	1,446	10,924	2,138
0.62%	78.50%	6.32%	1.45%	10.96%	2.14%



TOP 10

Number of certified plants by country

Source: INA based on information furnished by the International Automotive Taskforce, 2025.

C O N C L U S I O N

Trade liberalization and regional integration have been key pillars of shared development in North America. Mexico has played a fundamental role in consolidating a strong, efficient, and resilient automotive value chain. Thanks to its geographic location, skilled workforce, and certified industry, Mexico has become an indispensable partner for the competitiveness of the sector in the United States and Canada. In a global environment where certainty and supply chain continuity are strategic assets, collaboration with Mexico is essential.

COMMITTING TO JOINT SOLUTIONS THAT RECOGNIZE EACH COUNTRY'S COMPLEMENTARY STRENGTHS WILL BE KEY TO KEEPING NORTH AMERICA A COMPETITIVE AND LEADING REGION.

Rather than fragmenting, we must build a shared vision that prioritizes economic growth and the well-being of millions of families who depend on this strategic industry—and, above all, the future of North America in this field.

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