Mexico approves a tariff reform that targets Chinese imports

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On Wednesday, 10 December, Mexico's Congress–dominated by the governing coalition led by Morena–approved a sweeping reform to the General Import and Export Tax Law (Ley de Impuestos Generales de Importación y de Exportación, LIGIE). The measure was carried in the Chamber of Deputies during an early morning sitting, with 278 votes cast in favor, 25 against, and 136 abstentions. Later that same day, the Senate endorsed the reform, recording 76 votes in favor, 5 against, and 35 abstentions. The reform significantly increases tariffs, many ranging from 35% to 50%, across approximately 1,463 tariff lines applicable to countries without a free trade agreement with Mexico, including China, Vietnam, India, Thailand, and South Korea.

- Notably, the reform incorporates a transitional mechanism granting the Ministry of Economy discretionary authority to implement moderating measures in sectors deemed sensitive, thereby allowing for phased application or targeted exemptions.
- This reform, delayed in November under pressure from industry and China, is now advancing precisely as Washington positions Mexico as the central focus of the USMCA review. For the U.S., the measure aligns with long-standing concerns about China's presence in North American supply chains.
- Business groups have warned that tariffs on inputs may raise production costs, undermine export competitiveness in autos and electronics, and fuel domestic inflation. Still, the government argues the reform strengthens national industry and reduces reliance on low-cost imports.
- The political timing matters, Congress may finalize the reform before the end of December, which would allow President Sheinbaum to enter the trilateral review cycle claiming early action on Chinese overcapacity, circumvention, and non-market economy risks, key themes emerging from USTR's December hearings.
- China has already protested the tariff plan, launched a trade investigation into Mexico, and publicly accused the U.S. of coercing Mexico into alignment. The geopolitical framing reinforces how deeply the tariff reform is intertwined with USMCA renegotiation dynamics.

What is in it, and why it matters now

The reform represents a major inflection point in Mexico's trade strategy and its approach to the 2026 USMCA review.

- The package covers automotive goods, auto parts, steel, aluminum, textiles, apparel, plastics, furniture, footwear, toys, electronics, and consumer goods, largely mirroring sectors the U.S. identified as vulnerable to Chinese circumvention.

- The lower house introduced last-minute changes reducing tariff rates on hundreds of lines originally proposed by the Ministry of Economy, as well as sector-specific adjustments responding to domestic textile and manufacturing concerns.
- A Fourth Transitory Article authorizes the Ministry of Economy to design "legal mechanisms and instruments" to ensure supply conditions remain stable, effectively, an adaptation period allowing for quotas, phased implementation, or targeted exemptions.

The legislative road ahead

- Approved by both chambers, the bill must now be published in Mexico's Official Gazette (Diario Oficial de la Federación, DOF) before coming into force on 1 January 2026.
- Adaptation Period / Secondary Rules
  - The Ministry of Economy will operationalize the reform through secondary instruments.
  - This is where real implementation flexibility lies: quotas, phased applicability, sector carveouts, or case-by-case exemptions for critical supply chains.
  - These decisions will be heavily shaped by U.S. pressure, Chinese retaliation risk, and domestic sectoral lobbying.

The Mexican government's previous delay, and what changed

- In November, the Mexican government postponed delayed the tariff rollout, citing concerns raised by domestic industry and recognizing that the plan required further adjustment.
- China had strongly protested the measure, warning it would harm bilateral ties and reflecting concerns that Mexico was bending to U.S.A. geopolitical pressure.
- Domestic manufacturers argued that across-the-board tariff hikes would raise costs for inputs in autos, textiles, electronics, and home appliances, potentially eroding Mexico's competitiveness in U.S. markets.
- President Sheinbaum's original proposal was viewed as too broad and too rapid, the revised version reflects weeks of renegotiation and political trade-offs, softening nearly two-thirds of the tariff levels.
- Now that USTR has formally opened the USMCA review process and placed supply chain security, circumvention, and non-market economy practices at the center of hearings, Mexico has a stronger strategic incentive to show alignment.
- The December USMCA hearings in Washington featured repeated references to Mexico as the central vulnerability for Chinese circumvention, especially in autos, steel, The administration's messaging continues to prioritize "America First," linking competitiveness, industrial policy, and geopolitical rivalry with China.

The evolving timeline and political momentum surrounding this reform present both risks and opportunities for stakeholders across North America. Ultimately, as the July 1, 2026 USMCA review deadline approaches, Mexico's tariff reform will serve as evidence of whether Mexico is willing or able to align its trade regime with the U.S. evolving trade and geopolitical priorities.

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