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Mexico to Remain Automotive Force

Karla Salinas | May 24, 2017

Mexico will remain a force in the automotive industry even as President Donald Trump looks to revamp the North American Free Trade Agreement, PricewaterhouseCoopers said in a report about the industry.

“Mexico has leveraged its low wages, free trade agreements and proximity to US markets to attract millions of units of new capacity, as well as a growing supply chain to support it,” the PwC report said. The consulting company estimated Mexican light-vehicle capacity will expand 37% from 2016 to 2023, to 4.8 million units.

Mexico “has seen significant investment over the past four or five years,” Brandon Mason, US automotive director for PwC, said in a telephone interview.

Expansion of auto plants in Mexico is one reason why Trump wants to renegotiate NAFTA. The trade pact between the US, Canada and Mexico took effect in 1994.

Even if the United States raises tariffs on imports, “there is still a lot of upside for the Mexican market,” Mason said. “Mexico is in a prime position” to export vehicles to South America and other markets, he said.

Automakers have drawn the ire of the president for their Mexican operations.

In January, Ford Motor Co. (Dearborn, MI) canceled plans to construct a new $1.6 billion factory to build small cars following criticism from Trump. That announcement took place before Trump took office on Jan. 20. However, the automaker still plans to produce the next-generation Focus at an existing factory in Mexico.

The PwC report concerned regulatory issues confronting automakers and suppliers. It primarily commented on trade, fuel economy and infrastructure. Trump, when campaigning for president, said he would work to improve US roads and bridges.

PwC said automakers confront different regulatory climates globally.

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