Regional Analysis Mexico

Mexico | Review of Foreign Investments: Strategic Opportunity in the USMCA

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The upcoming review of the United States-Mexico-Canada Agreement (USMCA) in 2026 highlights tensions with the United States and Canada over their concerns about the growing presence of Chinese investments in Mexico.

Although investments from the Asian giant in Mexico are minimal—accounting for only 0.4% of total foreign direct investment (FDI) received since 2006—they have raised alarms among our trade partners. These concerns stem from potential establishment of Chinese automotive plants in Mexico and the involvement of companies sanctioned by Washington for their ties to the Chinese Communist Party in projects such as the Maya Train, 5G networks, and port infrastructure.

In contrast, Chinese investment in the United States and Canada is more significant than in Mexico. In 2023, it represented 0.5% and 2.7% of the total FDI received by these countries, respectively, with China ranking as the fifth largest investor in Canada.

Review of investments in the United States and Canada

The issue of sensitive foreign investments is addressed by our partners through robust review mechanisms that aim to monitor and block investments that may pose national security risks, while continuing to encourage foreign investments in their territories.

In the United States, the Committee on Foreign Investment, regulated by the Foreign Investment Risk Review Modernization Act, examines transactions that could grant access to sensitive information or critical technologies, or real estate transactions near military installations and other sensitive areas. In Canada, the Ministry of Innovation, Science, and Economic Development, regulated by the Investment Canada Act, performs a similar function.

Both mechanisms include specific criteria and clear procedures for evaluating national security risks. They establish a broad scope of reviews, involve their respective security agencies, and ensure confidentiality of information, among other characteristics.

These mechanisms have blocked Chinese investments in sectors such as semiconductors, telecommunications, and mining, as well as investments from other countries in various activities.

The strategic opportunity in the USMCA

During the USMCA review, the United States may push for clauses restricting certain foreign investments, contradicting the agreement's goal of expanding trade and investment. Additionally, the U.S. and Canada are likely to demand concrete actions from Mexico regarding foreign investments they deem sensitive.

A step in this direction was taken in December 2023 under President Biden's administration, when the U.S. and Mexico signed a Memorandum of Understanding to jointly oversee foreign investments and establish a bilateral group to exchange technical expertise on the matter. With the change in administration in the United States, the future of this binational group is uncertain. However, Mexico can seize this strategic opportunity to strengthen its regulatory framework for foreign investment reviews and influence regional decisions on the issue.

In Mexico, while the Foreign Investment Law empowers the National Foreign Investment Commission (CNIE) to block acquisitions on national security grounds, its regulations are less robust than those of its trade partners. Therefore, Mexico could modernize its framework by including specific criteria, sectors, or risks for review, gathering comprehensive information to assess national security risks, expanding the scope of transactions subject to review, and equipping the CNIE with advanced intelligence capabilities. All these measures should be implemented without resorting to disguised protectionist practices that could harm investment and trade.

By pursuing deeper coordination with its partners on foreign investment reviews, Mexico can consolidate its position in the region and enhance North America's competitive integration.

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