3. Mexico Imposes upto 50% Tariff- International Relation

Mexico has approved tariffs of up to 50% on imports from non-FTA partners, including India, effective from April 1, 2026

Trade Protectionism

Meaning and Contemporary Context- Trade protectionism refers to state-led policy interventions aimed at insulating domestic industries from foreign competition. Common instruments include

1. Tariffs and additional customs duties
2. Import quotas and licensing requirements
3. Local content requirements
4. Technical standards and non-tariff barriers

While protectionism was traditionally associated with developing economies, the current wave is driven largely by advanced economies, signalling a shift away from post-WTO liberal trade orthodoxy.

Drivers of the Current Global Wave of Protectionism

Slowing Global Growth- Post-pandemic recovery remains uneven. Governments are under pressure to protect domestic industries amid weak demand.

Supply Chain Vulnerabilities- COVID-19, Ukraine war, and Red Sea disruptions exposed overdependence on global value chains. Encouraged reshoring, nearshoring, and friend-shoring.

Strategic Industrial Policy- US and EU industrial subsidies (IRA, CHIPS Act) aim to reclaim manufacturing leadership.

Geopolitical Rivalries- Trade increasingly used as a tool of strategic competition, especially vis-à-vis China.

Employment and Political Economy- Domestic job protection has become a politically salient issue.

Concerns over Unfair Trade- Allegations of dumping, export subsidies, and state capitalism dominate trade disputes.

Background- Mexico's Tariff Measures

In 2024, Mexico imposed tariffs ranging from 5% to 50% on selected imports from countries without a Free Trade Agreement (FTA). Targeted imports largely originated from Asian economies, including-

1. India
2. China
3. Thailand

In 2025, Mexico's Senate extended these tariffs beyond April 2026, indicating a medium-term protectionist stance. India lacks both . An FTA, and A Preferential Trade Agreement (PTA) with Mexico, making Indian exports particularly vulnerable.

Strategic Rationale Behind Mexico's Tariff Decision

Alignment with the United States under USMCA- The decision is closely linked to the impending review of the United States–Mexico–Canada Agreement. Mexico seeks to

1. Demonstrate policy alignment with US strategic preferences.
2. Avoid friction that could threaten preferential access to the US market.

The US has been actively encouraging Latin American countries to limit economic engagement with Asian competitors, especially China and, increasingly, India.

Fiscal and Revenue Considerations- Mexico faces pressures to narrow its fiscal deficit. Tariffs are expected to generate approximately **USD 3.76 billion** in additional revenue. Import duties offer

1. Immediate non-tax revenue
2. Politically easier alternative to domestic tax hikes

Impact on India's Automotive and Engineering Exports

Erosion of Export Competitiveness- Indian automobile and auto-component exporters face. Higher landed costs compared to FTA partners with zero-duty access. Mexico is India's third-largest car export destination, after South Africa and Saudi Arabia. Accounts for ~10% of India's auto and auto-component

exports ~12% of motorcycle exports Tariffs risk pricing Indian products out of the market.
Risks to India's Manufacturing-Led Growth Strategy- Automotive exports are deeply linked to
1. MSME supplier ecosystems
2. Employment generation
3. Foreign exchange earnings
4. Make in India objectives

Persistent protectionism can weaken
1. Export-led manufacturing momentum
2. Scale economies crucial for competitiveness

Supply Chain and GVC Disruptions- Automotive production is highly sensitive to
1. Even marginal tariff changes
2. Delays at borders

Protectionist barriers slow India's integration into
1. North American value chains
2. Advanced automotive supply networks

This is particularly damaging at a time when India is trying to move up the value chain.

Way Ahead- Strategic and Policy Options for India

Trade Diplomacy and Negotiations- The Engineering Exports Promotion Council has urged the Government of India to Initiate FTA or PTA negotiations with Mexico. Delays could result in Permanent loss of market share Entrenchment of competitors from FTA countries
Safeguarding Export Competitiveness- Provide targeted support to affected sectors
1. Automobiles
2. Auto components
3. Engineering goods

Enhance export incentives aligned with WTO rules.
Enhancing Export Resilience- Focus on
1. Quality upgrading and compliance with technical standards
2. Cost competitiveness through productivity gains
3. Logistics efficiency and port connectivity

Encourage Indian firms to
1. Establish local assembly units
2. Enter joint ventures in Mexico to bypass tariff barriers

Brief Overview- India–Mexico Relations

Political Relations- Mexico was the first Latin American country to establish diplomatic relations with independent India in 1950. The year 2025 marks the 75th anniversary (Diamond Jubilee) of bilateral diplomatic ties.
Bilateral Trade Relations- Bilateral trade volume (2023)- USD 10.58 billion. India's position- Mexico's 9th largest trading partner. Trade composition
1. Indian exports to Mexico- USD 8.03 billion
2. Indian imports from Mexico- USD 2.54 billion

Trade relationship is heavily skewed in India's favour, increasing sensitivity to protectionist measures.
Indian Community in Mexico- Indian diaspora strength- approximately 10,000 persons**.** Concentration Around one-fifth reside in Mexico City
Community presence supports
1. Business linkages
2. Cultural diplomacy
3. People-to-people ties

Concluding Perspective

Mexico's tariff extension reflects a broader global retreat from free trade toward strategic protectionism. For India, the episode underscores the need to

1. Proactively deploy trade diplomacy
2. Align export strategy with geopolitical realities
3. Move from reactive responses to anticipatory economic statecraft

Long-term competitiveness will depend less on tariff relief and more on scale, quality, innovation, and integration into resilient global value chains.

Source- https-//www.thehindu.com/business/Economy/mexicos-50-tariffs-have-been-in-place-since-2024-but-can-still-hurt-indias-auto-exports/article70385112.ece