

## Pascal and Alva in Energy Advisor: Can the U.S. Curb Chinese Production of EVs in Mexico?

---

May 16, 2024 Larry Pascal, Carlos Alva

---

PRACTICES International, Mexico Energy Reform

---

Haynes Boone Partner [Larry Pascal](#) and Associate [Carlos Alva](#) were quoted in an interview in the May 17, 2024 edition of *Energy Advisor*. Read an excerpt below.

**Energy Advisor:** Mexico is holding back on some incentives to Chinese electric vehicle manufacturers under pressure from the United States, which is concerned about Chinese automakers seeking to avoid U.S. tariffs by producing cheap electric vehicles in Mexico for the U.S. market, Reuters reported in mid-April. How significant is investment from Chinese electric vehicle makers in Mexico? How likely is Mexico to ramp-up incentives for Chinese auto-makers to invest in Mexico? How can Mexico continue to attract foreign investment from China while maintaining good relations with the United States?

**Pascal and Alva:** “In recent years, the importation of Chinese vehicles to Mexico has increased considerably, primarily due to their competitive prices. For ex-ample, according to the Mexican Association of Automotive Distributors, in 2023, up to approximately 20 percent of the total new vehicles sold in Mexico were vehicles fabricated and imported from China. However, no Chinese automaker to date has opened a plant in Mexico, although Chinese automakers are reportedly scouting for manufacturing sites in Mexico. Although the increase in the popularity of Chinese vehicles in Mexico is evident, it is unclear if Mexico would grant incentives to Chinese manufacturers to establish automobile production plants in Mexico in the face of opposition from the United States, its largest trading partner. Putting aside incentives, in theory, a Chinese automaker could open a plant in Mexico without the intent to qualify for national origin treatment under the USMCA (and by implication without an immediate intent to export to the United States) and instead focus on the domestic Mexican market or those other foreign markets for which Mexico has a free trade agreement. The USMCA has stricter rules of origin than earlier free trade agreements that Mexico has with other trading partners. Mexico could also later negotiate with the United States and Canada a side agreement on the automotive sector addressing the treatment of electric vehicles, which could threaten manufacturing jobs in North America but could advance the public policy goals of reducing carbon emissions and furthering the energy transition.”

To read the full edition of *Energy Advisor*, click [here](#).