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Fortress North America: Mexico's Role in Securing the Region's Economic Future

Aligning Economic Security and Competitiveness Ahead of the 2026 USMCA Review

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Executive Summary

Economic security has become the new organizing principle of global trade policy, reflecting a fundamental shift in how states define and defend their economic interests. Governments now treat critical technologies, data, supply chains, and strategic infrastructure as extensions of national security, seeking to insulate them from geopolitical shocks and coercive dependencies.

For North America, the 2026 review of the United States–Mexico–Canada Agreement (USMCA) will be the first major opportunity to translate this new security logic into a regional framework.[1]

The review is more than a procedural milestone; it will be a test of whether the three partners can preserve the openness that sustains North American competitiveness while building the institutional capacity to protect critical assets from external vulnerabilities.

Mexico sits at the hinge of this challenge. It is the United States' largest trading partner and a manufacturing hub for U.S. firms, yet it also depends heavily on Chinese inputs, with imports from China exceeding exports by roughly 14 to 1 in 2024.[2] This asymmetry, compounded by the country's limited investment screening and export control capacity, constrains the region's ability to manage risk collectively.

Building credible institutions for investment screening, export controls, and supply chain risk management will determine whether the three partners can move toward a true Fortress North America: open and dynamic within the bloc and selective and standards-based at the perimeter.

Key Findings

- Economic security should be narrowly scoped around three pillars: protecting national security, safeguarding jointly defined critical supply chains, and ensuring fair competition through coordinated actions.

- Mexico's recent tariffs on non–Free Trade Agreement (FTA) suppliers show short-term political alignment but fail to address structural dependencies.
- A regional dependency-mapping program that identifies high-risk inputs and orchestrates substitution through intra-USMCA sourcing and trusted partners is essential to maintain the region's competitiveness and resilience.
- Fragmented oversight, limited data quality, and low fiscal capacity remain Mexico's core constraints.
- A North American Capacity Fund can bridge these gaps through training, shared data systems, and co-financing.

Policy Recommendations

- Create a USMCA Economic Security Committee during the 2026 review to coordinate screening, export controls, and alignment on antidumping and countervailing duties (AD/CVD); including a fast-track lane for intra-USMCA investment.
- Develop a regional dependency-mapping initiative with clear thresholds, metrics, and public reporting to target real vulnerabilities rather than applying blanket tariffs on non-USMCA members.
- Enact a national economic security law and investment screening mechanism in Mexico that define review authority, risk criteria, and mitigation powers.
- Establish a North American Capacity Fund to help finance Mexico's institutional build-out and data modernization.
- Adopt a shared, periodically reviewed list of critical sectors (semiconductors, batteries, telecom, artificial intelligence, and chemicals) for coordinated oversight.

Introduction: The North American Test

Economic security has become the new organizing principle of global trade policy. Governments increasingly treat critical technologies, data, supply chains, and strategic infrastructure as national security assets and seek to shield them from geopolitical shocks. The COVID-19 pandemic, Russia's invasion of Ukraine, and escalating U.S.-China tensions accelerated this shift, exposing the risks of concentrated supply chains and overdependence on geopolitical rivals.

This development is also a chance to weave economic security coordination inside the world's most advanced trade pact. Mexico sits at the hinge point. It anchors U.S. manufacturing competitiveness but relies heavily on Chinese intermediate goods. That asymmetry, compounded by weak screening capacity and economic security tools, complicates trilateral risk management.

The challenge is to institutionalize a framework that strengthens resilience without slipping into protectionism. The destination is Fortress North America: deep integration and trust inside the bloc and transparent scrutiny at the perimeter. Achieving it will require clear scope, coordination, and credible institutions, as well as the management of political and economic frictions that accompany alignment among asymmetrical partners.

Scoping Economic Security in Trade Agreements

Definitions and Pillars

Economic security in the trade context should be narrowly defined around three shared policy objectives:

- **Protect national security interests** in dual-use technologies, critical infrastructure, and sensitive data systems. Priority domains include semiconductors, defense materials, artificial intelligence, quantum computing, biotechnology, and telecommunications networks.
- **Safeguard supply-chain resilience** in jointly agreed-upon sectors such as biotechnology, medical devices, energy, and defense. These sectors should be listed by mutual agreement, reviewed on a predictable schedule, and supported by evidence-based risk assessment.
- **Ensure fair competition** when state-subsidized actors distort markets or circumvent rules. Partners should coordinate anti-dumping and countervailing measures to avoid intrabloc friction and present a unified front against overcapacity and subsidy practices.

Only measures that directly serve these aims should qualify as economic security tools. Limiting the scope ensures predictability for firms and prevents economic security from becoming industrial policy in disguise.

Operationalizing Economic Security Under USMCA

To manage these instruments coherently, partners should establish an Economic Security Committee (ESC) under the USMCA Free Trade Commission or negotiate a dedicated chapter:

- **Composition and leadership**: The ESC would have co-chairs from each party's trade and national security leads, as well as participation from economic, financial, foreign affairs, and intelligence agencies.
- **Mandate**: The ESC would require transparency, proportionality, and consultation before implementing restrictive measures that could affect regional trade or investment; information sharing on investment and technology risks; and evidence-based assessments using agreed criteria.
- **Fast-track lane**: The ESC would establish service standards for intra-USMCA investments and licenses with time-bound decisions and an escalation protocol.
- **Annual deliverables**: The ESC would publish a regional dependency map, a joint list of critical sectors, a scoreboard of key performance indicators (KPIs), and a public summary report to anchor market expectations.

Institutional Harmonization

The three partners should harmonize definitions of nonmarket economies, strategic sectors, and ultimate beneficial ownership (UBO). The latter is particularly crucial for Mexico, where

Chinese investments often flow through intermediary jurisdictions. Improved ownership transparency, shared templates, timelines, and dispute avoidance procedures will operationalize Fortress North America in practice: open within the bloc and high standards and scrutiny at the perimeter to prevent forum shopping.

MEXICO'S DOMESTIC ECONOMIC SECURITY LANDSCAPE

Institutional Gaps

Unlike the United States and Canada, Mexico lacks a comprehensive investment screening or export control regime. While Washington relies on the Committee on Foreign Investment in the United States (CFIUS) and Ottawa on the Investment Canada Act (ICA), Mexico's oversight remains fragmented among the Ministries of Economy, Finance, and Foreign Affairs. Existing restrictions target specific sectors, such as energy, telecommunications, and transportation, but do not systematically assess national security risks.

Beyond instruments to fight narcotics and arms trafficking, Mexico also lacks an updated export control framework for dual-use goods, a trusted technology certification program, and a national strategy for protecting critical infrastructure such as telecommunications and ports. These gaps have allowed Chinese companies with potential security implications like Huawei and Hikvision to expand their presence without a comprehensive national security review.[3]

The Sheinbaum Tariff Pivot

President Claudia Sheinbaum's administration has signaled a shift toward defensive trade measures more aligned with U.S. and Canadian economic security priorities.[4] In September 2025, the Mexican government announced tariffs of up to 50 percent on imports from countries without free trade agreements, effectively targeting Chinese exports. These moves aligned with U.S. concerns about overcapacity in electric vehicles and steel and addressed domestic pressures from Mexican manufacturers.

While politically effective, these tariffs provide short-term alignment but not long-term resilience. Mexico remains highly dependent on Chinese inputs in automotive components, electronics, machinery, medical devices, and chemicals.[5] Diagnosis and evidence must precede restriction; otherwise, these measures risk adding cost without reducing vulnerability.

From Tariffs to Dependency Mapping

Mexico should lead a dependency-mapping initiative to quantify a USMCA member's reliance on foreign suppliers, identify vulnerabilities, and target mitigation where it matters most. This strategy would involve four steps:

- **Quantify import dependencies** at the Harmonized System (HS) six-digit level; flag inputs with over an 80 percent share from any single non-USMCA source or over a 50 percent share from China.

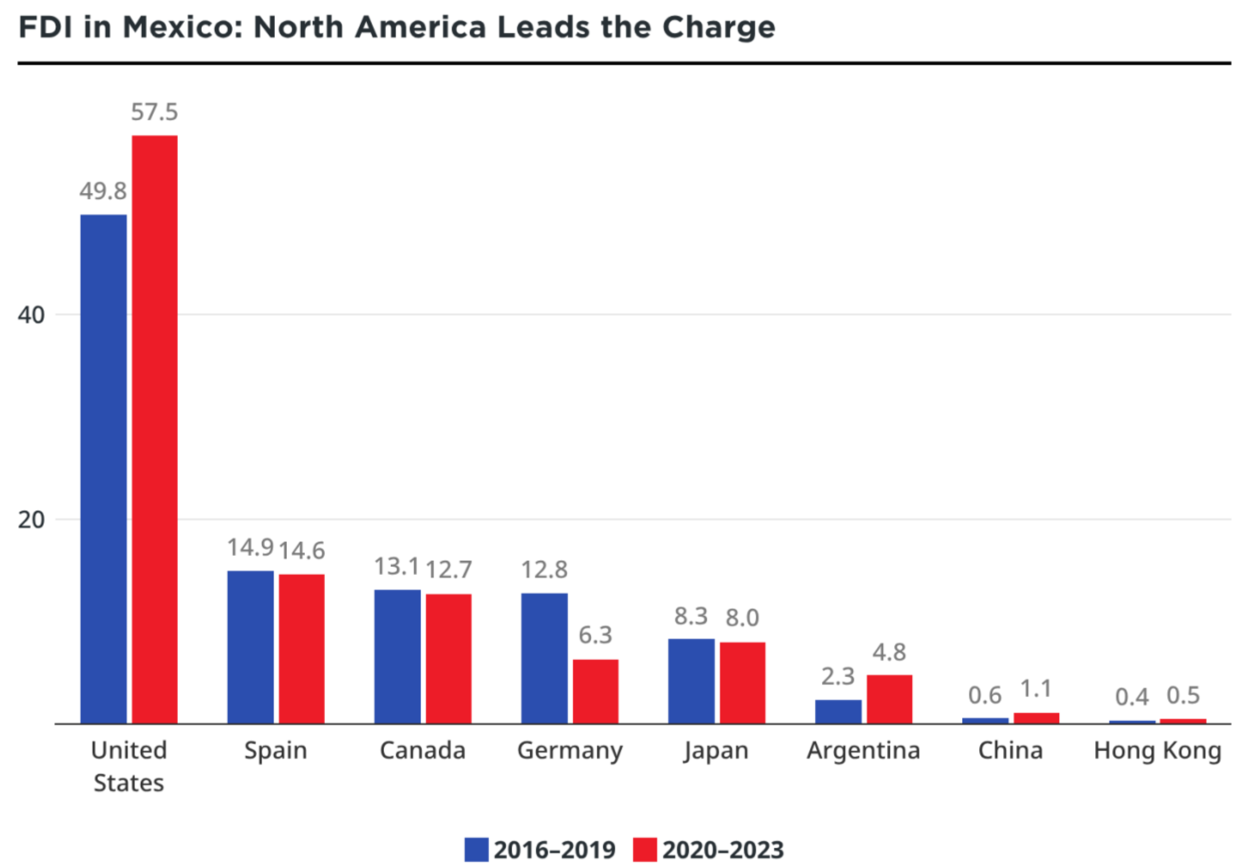
- **Score risks** weighted by sector criticality, single-supplier risk, dual-use status, and supply chain chokepoints; include substitution feasibility.
- **Identify replacement channels** through intra-USMCA suppliers and trusted partners such as Japan, South Korea, and the European Union, paired with fiscal and regulatory incentives.
- **Monitor progress** through a public dashboard tracking reductions in high-risk import shares and increases in intraregional sourcing.

The KPIs should include a reduction in high-risk import shares, an increase in intra-USMCA sourcing, supplier diversification, and the share of inputs covered by long-term regional contracts. Such evidence-based dependency mapping would transform Fortress North America from concept to practice—fortifying regional autonomy without undermining competitiveness.

The Scale and Nature of Chinese Investment in Mexico

Official statistics understate Chinese foreign direct investment (FDI) in Mexico. According to Mexico's Secretariat of Economy, cumulative Chinese FDI between 2017 and 2024 totaled $2.3 billion, or 1.2 percent of total inflows.[6] When including Hong Kong, the figure rises to $3.2 billion.[7]

Private estimates, however, tell a different story. The Center for Chinese-Mexican Studies at the National Autonomous University of Mexico and the Rhodium Group estimate cumulative inflows between $14 billion and $11.5 billion over the same period, driven by greenfield investments routed through offshore affiliates.[8] Activity remains concentrated in the northern industrial corridor (Nuevo León, Chihuahua, Baja California) and in central states such as Jalisco and San Luis Potosí. Roughly 1,000 Chinese-owned companies are registered in Mexico, mostly small or mid-sized suppliers to multinational assemblers supplying automotive and electronics chains.[9] Even if total FDI volumes trail the United States, Spain or Japan, the pace and greenfield footprint make this strategically relevant for policy.



The chart shows the cumulative FDI in Mexico by country of origin in 2016–2019 and 2020–2023 in billions of U.S. dollars.[10]

Failed or Stalled Chinese Projects in Mexico: Lessons Learned[11]

The following examples of Chinese projects in Mexico reveal a pattern of constrained engagement from Mexico and frustration from China.[12] Mexico welcomes Chinese capital when politically or financially convenient but reverses course under domestic or U.S. pressure. The absence of a clear screening framework leaves decisions to political discretion, increasing uncertainty for investors across the board.

Project	Sector	Outcome	Significance
Dragon Mart Cancún	Trade and real estate	Canceled after environmental and political backlash (2015)	Entrenched public skepticism toward large Chinese ventures
CRCC Querétaro Rail	Infrastructure	Canceled over transparency concerns (2014)	Major diplomatic setback; eroded bilateral trust
JinkoSolar	Renewable energy	Projects halted amid regulatory reversals and environmental concerns (2020)	Highlighted policy instability under President Andrés Manuel López Obrador
BYD	Automotive	Withdrew after tariff and policy uncertainty (2025)	Reflected Mexico's geopolitical balancing
Ganfeng Lithium	Critical minerals	Lease revoked after nationalization of lithium (2022)	Illustrated policy volatility and resource nationalism

Building Capacity and Credibility

Mexico's economic security challenge is institutional rather than ideological. Developing an effective framework will require the following:

- **Human capital**, including trained analysts able to trace beneficial ownership and assess security risk
- **Fiscal capacity** with stable funding for enforcement and interagency coordination
- **Data modernization**, including integrating customs, investment, and corporate registry data, as well as capturing offshore routing and greenfield activity
- **Legal reform** through a national economic security law and investment screening tool that define clear review authority and risk criteria
- **Trilateral partnerships**, including by using a joint capacity fund to finance technical training and information sharing with U.S. and Canadian counterparts

These steps would help Mexico transition from reactive policymaking to a proactive, data-driven system capable of supporting a regional economic security framework, as well as more effectively addressing concerns about tariff circumvention and Chinese overcapacity.

Managing External Pressure from Non-USMCA Partners

Aligning economic security measures inevitably invites pushback from excluded countries, particularly China. Yet Mexico's exposure to retaliation is limited compared to other emerging markets. China represents only about 11 percent of Mexico's total trade, and Mexico is not a participant in the Belt and Road Initiative and has no major Chinese sovereign lending.[13] This relative independence allows Mexico diplomatic and economic flexibility to harden its defenses without severe economic blowback. Practical steps include consulting partners before new restrictions; granting exemptions for essential intermediates in USMCA supply chains; diversifying suppliers toward Japan, South Korea, Taiwan, and the EU; and framing policies as regional resilience rather than geopolitical alignment.

Constraints on Full Alignment

Economic Asymmetries

The United States operates a mature ecosystem of economic security tools, from CFIUS to the Bureau of Industry and Security's export control regime. Canada largely mirrors these practices through the ICA. In Mexico, budget constraints and limited technical staff weaken enforcement. Moreover, Mexican factories rely on Chinese inputs that feed U.S. production lines, making rapid substitution infeasible or cost prohibitive.

Political and Institutional Obstacles

Domestically, economic security is politically sensitive. While President Sheinbaum has signaled pragmatic cooperation with Washington, elements within her coalition could view tighter screening as foreign interference.[14] Governors in opposition-led states such as Nuevo León, eager for investment and jobs, often court Chinese companies independently, creating a patchwork of policies.

Bureaucratically, Mexico's civil service faces a human capital deficit after years of austerity and attrition.[15] Rebuilding expertise in trade enforcement, data analytics, and security vetting will take time. The government's recent creation of "Plan México" articulates goals for local content and import substitution with Asia but lacks sustained resources and institutional depth.[16]

Industrial asymmetries also shape political incentives. While the United States and Canada emphasize enforcement and national resilience, Mexico prioritizes export growth and job creation. Achieving economic security without eroding competitiveness thus requires gradual sequencing, beginning with data and transparency before regulatory convergence.

Strategic Ambivalence and the Risk of Overreach

Excessive external pressure can invite nationalist backlash reminiscent of earlier disputes over energy and labor enforcement. Progress is more likely if alignment is framed as capacity building rather than compliance. A North American Economic Security Capacity Fund, co-financed by the United States and Canada, could support training programs, joint task forces, and shared digital systems without being perceived as heavy-handed oversight from Mexico's closest allies. Such a fund would demonstrate partnership while accelerating convergence.

Policy Recommendations

To transform the Fortress North America concept into operational reality, policy action must proceed at three levels: regional coordination, domestic capacity building, and sectoral alignment.

Regional Coordination

- **Establish a USMCA Economic Security Committee (ESC).**
  - Structure the committee to be led by co-chairs from each country's trade and national security agencies.
  - Coordinate investment screening, export controls, technology standards, UBO, and AD/CVD; consult before restrictive measures; and share information on high-risk transactions.
  - Guarantee timely review for intra-USMCA investments.
- **Launch a regional dependency-mapping program.**
  - Set thresholds (>80 percent single non-USMCA source, >50 percent Chinese source), compare patterns, and prioritize joint diversification.
  - Publish a semiannual dependency map and semiannual KPI dashboard.
  - Pair mapping with supplier development incentives and procurement preferences.
- **Institutionalize consultation and state-level integration.**
  - Notify partners through the ESC before new restrictions are introduced.
  - Bring state governments and industrial clusters into national coordination.
  - Domestic Capacity Building

Domestic Capacity Building

- **Create a North American Economic Security Capacity Fund.**
  - Finance staffing, training, integrated data platforms, and joint investigations.
  - Build shared data hubs.
- **Pass a national economic security law in Mexico.**
  - Define review authority, criteria, and mitigation tools and align with USMCA principles.
  - Create an interagency council linking the Ministries of Economy, Foreign Affairs, Energy, and Intelligence.
- **Enhance data transparency and reporting standards.**
  - Standardize FDI disclosure templates, require beneficial ownership declarations, and align definitions of "nonmarket economy" across USMCA partners to close screening loopholes.

Sectoral Alignment and Subnational Integration

- **Align sectoral priorities.**
    - Define a common list of critical sectors (e.g., semiconductors, batteries, telecom, artificial intelligence, etc.) for coordinated oversight.
    - Tie list membership to evidence-based risk scoring and stakeholder consultations.
- **Integrate state governments and industrial clusters.**
    - Include subnational authorities and private clusters in federal economic security planning to ensure that incentives and restrictions are implemented consistently across regions.
- **Frame economic security as regional competitiveness.**
    - Communicate that these policies strengthen the North American joint production platform, help attract investment, and protect shared prosperity rather than target specific countries.

Conclusion: Toward Fortress North America

A resilient, trusted, and competitive North America—open inside, selective outside—will depend not on slogans or tariffs, but on institutions capable of turning economic security into shared prosperity.

Economic security is now central to North American competitiveness. The three partners can build Fortress North America by keeping markets open and trusted within the bloc and by applying clear, proportionate, and predictable standards at the perimeter.

The 2026 USMCA review offers a critical window to transform rhetoric into trade architecture. The region's success will hinge on whether the three partners can institutionalize coordination mechanisms, build Mexico's institutional capacity, and adopt transparent, data-driven tools to manage risk.

Mexico's evolution from fragmented oversight to data-driven dependency mapping and stronger institutions will determine whether the USMCA matures into a durable economic security compact. The establishment of a USMCA Economic Security Committee, a regional dependency-mapping program, and a North American Capacity Fund would operationalize this transformation.

If successfully implemented, Fortress North America should not mean isolation, but leadership. By combining openness with strategic vigilance, the United States, Mexico, and Canada can set a global model for balancing competitiveness with security in an era of strategic competition.

About the Author

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