

China's Geoeconomic Interests In The Us Via Byd's Export To Mexico, 2022-2024

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ABSTRACT

The electric vehicle sector is a primary arena for geoeconomic competition between the United States and China. This study analyzes China's geoeconomic interests by examining the export strategy of the electric vehicle manufacturer BYD into Mexico from 2022 to 2024. Using a descriptive qualitative method with a case study design, this research determines that Mexico currently fulfills only two of the three structural elements of a geoeconomic bridging node. Contextual positioning is achieved through USMCA membership, and Mexico has consistently attracted Chinese foreign direct investment, but coupling practices are constrained by strict rules of origin and the Inflation Reduction Act's Foreign Entity of Concern exclusion. The third element, strategic relational proximity, is fragile: in April 2024, the Mexican federal government halted incentives for Chinese electric vehicle manufacturers following direct demands from the United States Trade Representative. BYD's export expansion is a rational corporate response to domestic overcapacity and international tariff barriers rather than a mandate from Beijing, though the framework of party-state capitalism shows that BYD's commercial success advances China's broader geoeconomic interests. These findings test the limits of the bridging node concept in Latin America when confronted with the defensive mechanisms of a hegemonic state.

INTRODUCTION

The rivalry between the United States and China operates through economic instruments deployed to achieve geopolitical objectives. Blackwill and Harris (2016) define geoeconomics as the use of economic instruments to promote and defend national interests and to produce beneficial geopolitical results. State-backed investment, trade policy manipulation, and the operational strategies of multinational corporations are primary instruments in this bilateral competition (Güneylioğlu, 2023; Zelicovich, 2024). The strategic deployment of economic policy for geopolitical ends provides the foundation for examining specific sectors within United States-China relations (Umar & Yang, 2025).

The electric vehicle sector is one of the principal arenas of this geoeconomic competition. United States technological advances in semiconductors and clean energy correlate with a heightened perception of Chinese geopolitical risk, indicating that high-technology sectors form part of both countries' strategic calculations (Sweidan, 2024). China's industrial policy has cultivated firms classified as national champions, companies holding formal private status while occupying protected positions in the national economy through targeted state policies such as subsidies, preferential credit, and domestic market protection (Lin & Milhaupt, 2013; Liou, 2025; Zámorský et al., 2023). BYD, China's largest electric vehicle manufacturer, is among the most prominent firms operating within this policy framework. The integration of private corporate strategy with state objectives reflects the dynamics of party-state capitalism in the electric vehicle sector (Pearson et al., 2021).

The United States' tariff policy is a concrete instrument restricting Chinese access to the North American market. Tariffs on Chinese goods have been progressively raised since 2018, reaching 100 percent for electric vehicles in 2024 under the Section 301 Trade Act of 1974, which specifically targets Chinese-made goods (Kennedy, 2024). This targeted specificity distinguishes the measure from general automotive tariff schedules applied to other countries during the same period and directly pushes Chinese producers to seek alternative market-access routes. Concurrently, the United States-Mexico-Canada Agreement (USMCA), which replaced NAFTA, raised the automotive regional value content (RVC) threshold from 62.5 percent to 75 percent, introduced a labor value content mandate requiring 40 to 45 percent of the vehicle to be manufactured by workers earning a minimum of 16 US dollars per hour, and mandated that 70 percent of corporate steel and aluminum purchases originate from North America) (Congressional Research Service, 2026). The combination of direct tariffs on Chinese products and strict regional value requirements creates a regulatory environment in which Chinese manufacturers face both direct barriers and complex rules of origin constraining indirect access (Güneylioğlu, 2023).

Mexico occupies a contradictory position within this North American trade architecture. On one hand, Mexico's USMCA membership grants duty-free access to the United States market for manufactured products meeting regional value content conditions. On the other hand, Mexico has experienced a widening trade deficit with China even as it benefited from the United States-China trade war, displacing China as the United States' leading trade partner as global value chains reorganized toward Mexico in response to rising tariffs (Utar et al., 2025). Mexico benefits from nearshoring trends driven by United States policies, yet its domestic manufacturing sectors rely on Chinese intermediate goods. This dual position, Mexico as both a trade partner of the United States and a potential gateway for Chinese capital, constitutes the central problem this study addresses (Umar & Yang, 2025).

Empirical data confirms the scale of Chinese automotive expansion into Mexico. The United States International Trade Commission documented 23 automotive investments by Chinese companies in Mexico between 2019 and 2023, with a combined capital value of

approximately 7.06 billion US dollars (U.S. International Trade Commission, 2025; USITC, 2024). Unofficial tracking by the Rhodium Group identified more than 700 Chinese investment transactions in Mexico with a cumulative value exceeding 13 billion US dollars (Inter-American Dialogue, 2024; Meyer et al., 2024). Automotive parts trade between China and Mexico surged by 165 percent over a single decade. The Federal Reserve calculated that administrative compliance costs for USMCA rules of origin are equivalent to an ad valorem tariff of 1.4 to 2.5 percent, an invisible cost that shapes multinational automakers' investment decisions (Bowdle & Kamal, 2025). Mexico's own domestic electric vehicle industry also began taking political and economic shape during the 2022-2024 period (Martínez & Terrazas-Santamaría, 2024). This sustained capital inflow demonstrates that Chinese firms are actively utilizing Mexico to restructure their global production networks in response to trade regulations (Pearson et al., 2021).

Existing literature on Chinese supply chain relocation has focused predominantly on Southeast Asia and Europe, leaving a gap regarding the Latin American context. Studies of trade circumvention have examined Vietnam, where firm-level evidence shows that only 1.7 to 1.8 percent of total exports to the United States in 2021 consisted of genuinely rerouted Chinese goods (Iyoha et al., 2024), and Thailand, where a strict transshipment watchlist introduced in November 2019 had no statistically significant effect on either Thai exports to the United States or Thai imports from China (Hayakawa & Sudsawasd, 2024). Research on China-Latin America economic relations has generally emphasized conventional market-seeking and resource-seeking business motives (Blanchard, 2019; Correa da Cunha et al., 2026; Sanchez-Lopez, 2023) rather than analyzing investment as a structured geoeconomic instrument (Gachuz-Maya & Urdinez, 2022). Studies of the electric vehicle sector in Mexico, meanwhile, remain focused on consumer behavior without engaging the geoeconomic dimension (Espinoza & Espinoza-Oliva, 2025). No existing study tests the geoeconomic bridging node concept in the Latin American context (Umar & Yang, 2025).

The 2022-2024 period represents a new phase of escalation in United States-China electric vehicle competition that warrants scholarly analysis. Mexico possesses geographic, political, and trade-agreement characteristics fundamentally different from the Asian countries that have so far been the primary focus of trade-circumvention research. A precise understanding of whether BYD's export into Mexico constitutes a geoeconomic instrument or a purely commercial strategy carries policy implications for other developing countries, including Indonesia, which is likewise a destination for Chinese electric vehicle investment (Umar & Yang, 2025). United States dominance within the global trading system is being tested by China's capacity to use a third country as a bridging node toward a market that has formally sought to restrict Chinese access through tariffs (Blackwill & Harris, 2016).

This study analyzes China's geoeconomic interests toward the United States through the lens of BYD's export into Mexico from 2022 to 2024. The research employs the geoeconomic bridging node framework (Umar & Yang, 2025) and the concept of party-state capitalism

(Pearson et al., 2021) to evaluate the mechanisms of this expansion. The study tests whether BYD's move constitutes a state-directed geoeconomic strategy or a rational corporate business decision responding to market constraints, and asks how Mexico functions as a geoeconomic bridging node between China's electric vehicle industry and the North American market (Pearson et al., 2021).

RESEARCH METHODS

This research employs a qualitative method with a case study design to examine BYD's export strategy within a bounded system. Creswell & Poth (2024) define case studies as a methodology allowing researchers to understand a contemporary case in depth through multiple data sources, enabling explanation of how and why a phenomenon operates in a real-world context. The bounded system in this study is BYD's export into Mexico between 2022 and 2024, a timeframe covering the post-pandemic acceleration of Chinese electric vehicle exports, the implementation of USMCA rules of origin, and the surge in Chinese manufacturing investments across northern and central Mexico (Nelson, 2025). The qualitative approach facilitates a contextual examination of the interactions among state industrial policies, corporate profit-maximizing strategies, and international trade regulations. Descriptive analysis maps the transmission mechanisms through which BYD navigates the structural constraints of United States-China geoeconomic competition (Creswell & Poth, 2024).

Data collection relies on a systematic review of primary institutional publications and secondary tracking data, selected according to defined inclusion criteria. Documents were included if they (a) addressed Chinese automotive or electric vehicle investment in Mexico or the broader North American market, (b) covered the 2022–2024 period or provided regulatory context directly applicable to that period, and (c) originated from governmental bodies, intergovernmental organizations, peer-reviewed journals, or established policy research institutions. Sources were excluded if they consisted of unattributed media reports without institutional backing or if they predated 2018 and lacked direct relevance to the current regulatory environment. Applying these criteria, the study analyzed a corpus of 38 documents comprising official government reports from the United States International Trade Commission, the Office of the United States Trade Representative, and the Congressional Research Service; transaction-level investment tracking data from the Rhodium Group and the Inter-American Dialogue; corporate public announcements and press releases from BYD; foundational policy documents including the USMCA text and the Inflation Reduction Act; and 24 peer-reviewed scholarly articles. Two primary investment data sources require methodological clarification regarding their divergent figures. The (USITC, 2024) documented 23 Chinese automotive investments in Mexico valued at approximately 7.06 billion US dollars, using a narrow sectoral definition limited to formally registered automotive-sector transactions between 2019 and 2023. The Rhodium Group identified more

than 700 Chinese investment transactions exceeding 13 billion US dollars (Meyer et al., 2024), a substantially larger figure because its methodology captures all sectors and includes transactions routed through offshore financial centers such as the Cayman Islands and British Virgin Islands that do not appear in bilateral foreign direct investment statistics. This study uses both sources as complementary rather than contradictory: USITC data provides the conservative, sector-specific baseline for automotive investment, while Rhodium Group data captures the broader scale of Chinese capital flows into Mexico (Inter-American Dialogue, 2024).

The data analysis process follows the thematic analysis procedure outlined by (Creswell & Creswell, 2018), involving six sequential steps: organizing and preparing data for analysis, reading through all data, coding the data, generating themes from the codes, interrelating themes, and interpreting the meaning of themes. Coding was structured around two predetermined analytical frameworks applied to distinct data categories. First, empirical data related to cross-border trade flows, regulatory structures, and diplomatic events were coded against the three structural elements of the geoeconomic bridging node framework: contextual positioning, coupling practices, and strategic relational proximity (Umar & Yang, 2025). For each element, data were categorized as indicating fulfillment, partial fulfillment, or non-fulfillment based on whether the evidence demonstrated that Mexico meets the structural criteria defined by the framework. Second, data concerning BYD's corporate statements, investment decisions, and relationships with state policy were coded through the lens of party-state capitalism to evaluate the degree of state direction versus corporate agency in BYD's export decisions (Pearson et al., 2021). This dual coding strategy separates structural trade conditions from corporate motivations, ensuring that findings regarding Mexico's bridging capacity do not automatically predetermine conclusions about Chinese state direction. To manage potential source bias, government publications from the United States which have a declared policy interest in restricting Chinese market access were cross-referenced with data from international organizations, academic research, and Chinese corporate disclosures where available (Creswell & Poth, 2024).

This study acknowledges several methodological limitations inherent in its research design. First, the reliance on secondary data means the study has no access to internal decision-making processes within BYD or the Chinese government; conclusions about BYD's motivations are therefore interpretive inferences drawn from publicly available evidence within the party-state capitalism framework, not direct observations of corporate deliberation. Second, the assessment of strategic relational proximity which the third pillar of the bridging node framework is based on a limited number of documented diplomatic events within the 2022–2024 period, most notably the Mexican federal government's April 2024 decision to halt incentives for Chinese electric vehicle manufacturers (Oré, 2024). While this event is analytically significant, the narrow evidentiary base for this pillar constrains the robustness of the assessment and warrants future research using primary diplomatic sources or elite

interviews. Third, the geoeconomic bridging node concept has been empirically tested in only one prior case (Morocco), which limits the generalizability of findings derived from its application to the Mexican context (Umar & Yang, 2025). These limitations do not invalidate the analysis but require that the findings be read as structured interpretations within the stated frameworks rather than as definitive causal explanations.

RESULT AND DISCUSSION

The Geoeconomic Bridging Node and Party-State Capitalism in The Case of BYD-Mexico

The bridging node framework is appropriate for the BYD-Mexico case because Mexico's structural position between two competing economic powers matches the conditions the framework was designed to analyze. Umar & Yang (2025) developed the geoeconomic bridging node concept to explain how a specifically positioned third country facilitates trade and investment flows between two structurally competing major powers. The framework identifies three structural elements required for a country to function as a bridging node: contextual positioning, defined as the country's established structural and legal conditions such as existing free trade agreements; coupling practices, defined as the material integration of the host country's domestic industries with the expanding foreign country's global value chains through flows of intermediate goods, capital investments, and technological transfers (Liu et al., 2025); and strategic relational proximity, defined as the diplomatic closeness between the host country and both competing powers, requiring that the host government maintain a diplomatic balance to attract investment from one power without alienating the other (Umar & Yang, 2025). Mexico possesses formal trade architecture through the United States-Mexico-Canada Agreement (USMCA) that creates a legally defined pathway between the United States and Chinese economies, distinguishing it from Southeast Asian countries typically analyzed through trade circumvention models. The three testable pillars provide operationalizable criteria for evaluating Mexico's structural role within this trade environment (Umar & Yang, 2025).

Applying the bridging node framework to Mexico also tests the model's validity across distinct institutional and geographic environments. The concept was originally developed from Chinese electric vehicle battery investments in Morocco, a country that does not share a comprehensive free trade agreement with the United States and is not subject to stringent regional value content rules (Umar & Yang, 2025). Mexico possesses institutional characteristics fundamentally different from Morocco: USMCA membership that creates a legally defined relationship with the United States, direct geographic proximity to the hegemon, and exposure to strict regional rules of origin that do not exist in the Moroccan case (Nelson, 2025). Mexico's specific regulatory environment, particularly the 75 percent regional value content threshold and the Inflation Reduction Act's exclusionary provisions, challenges the assumption that bridging nodes operate uniformly across regions. Testing the framework in the Latin American context determines whether the model accurately captures structural

intermediation under stringent regional trade regimes or whether the concept requires modification when applied outside its original North African setting (Umar & Yang, 2025).

The structural framework alone, however, cannot determine actor motivation, and this limitation necessitates a complementary analytical tool. The bridging node concept identifies whether Mexico possesses the capacity to provide a structural pathway for trade and investment between two competing powers, but it does not explain why a specific firm chooses to utilize that pathway or whether the firm acts under state direction. Pearson et al. (2021) propose that China's political economy is characterized by a party-state that exercises steering control over private firms through formal and informal mechanisms, including the establishment of mandatory party cells within corporate governance structures, direct regulatory pressure, and preferential credit allocation (Pearson et al., 2021; Takahashi, 2023). This state control is not absolute. Private firms retain operational agency to pursue profit-maximizing strategies domestically and abroad, provided those strategies align with the state's macroeconomic goals (Pearson et al., 2021). The party-state capitalism framework therefore enables an empirical evaluation of whether BYD's Mexican expansion executes central directives from Beijing or reflects an independent commercial strategy operating within state-created incentive structures. Without this actor-level analysis, the study would be unable to answer its central question: whether BYD's export to Mexico is a geopolitical instrument or a corporate business decision (Pearson et al., 2021).

The two frameworks address complementary analytical levels and, when integrated, provide the complete analytical apparatus required for this study. The bridging node operates at the structural and systemic level to assess trade architecture, investment flows, and diplomatic positioning. Party-state capitalism operates at the actor and firm level to evaluate state-firm relationships, corporate agency, and domestic incentive structures. This dual approach prevents the conflation of structural trade opportunities with state-coordinated geopolitical strategy. Together, they establish the analytical boundaries required to determine: first, whether Mexico can structurally serve as a bridge for Chinese capital into the North American market; and second, whether BYD's expansion through that bridge is state-directed or commercially motivated. The interaction between these two levels of analysis enables this study to explain how China projects geoeconomic interests via Mexico and through what mechanisms (Pearson et al., 2021; Umar & Yang, 2025).

Empirical Data on BYD Exports to Mexico in the China-US Geoeconomic Rivalry

The empirical environment is shaped by escalating United States tariffs against Chinese electric vehicles, which constitute the direct regulatory context driving BYD's search for alternative market-access routes. Since 2018, the United States progressively increased import duties on Chinese goods under Section 301 of the Trade Act of 1974, a statute that specifically targets Chinese-made goods. These tariffs reached 100 percent for electric vehicles in 2024, effectively closing the direct export route from China to the United States for Chinese electric vehicle manufacturers (Kennedy, 2024; Raul et al., 2026). Concurrently,

the USMCA replaced NAFTA and introduced substantially stricter automotive rules of origin. The agreement raised the automotive regional value content (RVC) threshold from 62.5 percent to 75 percent, introduced a labor value content (LVC) mandate requiring 40 to 45 percent of the vehicle to be manufactured by workers earning a minimum of 16 US dollars per hour, and mandated that 70 percent of corporate steel and aluminum purchases originate from North America (Congressional Research Service, 2026). The combination of direct tariffs on Chinese products and strict regional value requirements creates a regulatory environment in which Chinese manufacturers face both direct barriers and complex rules of origin constraining indirect access (Güneylioğlu, 2023).

Table 1. Structural Comparison of Automotive Rules of Origin: NAFTA vs. USMCA

Requirement Category	NAFTA (Pre-2020)	USMCA (Current)
Regional Value Content (RVC)	62.5%	75.0%
Labor Value Content (LVC)	None	40-45% at minimum \$16/hour
Steel & Aluminum Sourcing	No specific regional mandate	70% must be sourced from North America

Source: compiled by the author based on Congressional Research Service (2026) and USITC (2024)

The Inflation Reduction Act introduces additional regulatory constraints beyond the USMCA framework. Section 30D of the Act provides a 7,500 US dollar clean vehicle tax credit but includes a Foreign Entity of Concern (FEOC) exclusionary clause: any vehicle containing battery components manufactured or assembled by an entity tied to the Chinese government is disqualified from receiving the consumer tax credit, regardless of final assembly location (Congressional Research Service, 2026). Even if a Chinese manufacturer localizes final assembly in Mexico and meets the USMCA's 75 percent regional value content requirement, its vehicles face a 7,500 US dollar price disadvantage in the United States market compared to compliant competitors. The IRA therefore uses consumer incentives and domestic tax policy as instruments of geoeconomic competition, creating a financial barrier that operates independently of tariff schedules (Umar & Yang, 2025).

BYD announced plans in 2023 to construct a manufacturing facility in Mexico, a move identified by analysts as a strategy to circumvent United States trade barriers by localizing production within the USMCA zone (Gerbaudo, 2025; Nelson, 2025). BYD is China's largest electric vehicle manufacturer by sales volume, a firm classified as a national champion, which is a company holding formal private status while occupying a protected position in the national economy through targeted state policies such as subsidies, preferential credit, and domestic market protection (Lin & Milhaupt, 2013; Liou, 2025; Záborský et al., 2023). State industrial policies subsidized the domestic electric vehicle industry through capital subsidies, domestic market protection, and control over critical raw materials, creating intense competition that produced structural overcapacity in the Chinese EV market (Mayr et al.,

2026). This overcapacity is a structural push factor that economically compels firms like BYD to seek external markets to sustain their growth models (Li, 2025). BYD's decision to invest in Mexico must therefore be read within the dual context of being excluded from the United States market by tariffs and facing a saturated domestic market from overcapacity (Wang, 2026).

Empirical data confirms the scale of Chinese automotive expansion into Mexico during the 2022–2024 period. The United States International Trade Commission documented 23 automotive investments by Chinese companies in Mexico between 2019 and 2023, with a combined capital value of approximately 7.06 billion US dollars (U.S. International Trade Commission, 2025; USITC, 2024). The Rhodium Group identified more than 700 Chinese investment transactions in Mexico with a cumulative value exceeding 13 billion US dollars (Inter-American Dialogue, 2024; Meyer et al., 2024). The divergence between these figures reflects methodological differences rather than data inconsistency: USITC employs a narrow sectoral definition limited to formally registered automotive investments, whereas the Rhodium Group tracks all sectors and captures transactions routed through offshore financial centers such as the Cayman Islands and British Virgin Islands that do not appear in bilateral foreign direct investment statistics. Automotive parts trade between China and Mexico surged by 165 percent over a single decade. Mexico's own domestic electric vehicle industry also began taking political and economic shape during the 2022–2024 period (Martínez & Terrazas-Santamaría, 2024). This sustained capital inflow demonstrates that Chinese firms are actively utilizing Mexico to restructure their global production networks in response to trade regulations (Pearson et al., 2021).

Mexico occupies a contradictory position within the North American trade architecture, simultaneously benefiting from and being constrained by the United States-China rivalry. On one hand, Mexico's USMCA membership grants duty-free access to the United States market for manufactured products meeting regional value content conditions. On the other hand, Mexico has experienced a widening trade deficit with China even as it benefited from the United States-China trade war, displacing China as the United States' leading trade partner as global value chains reorganized toward Mexico in response to rising tariffs (Utar et al., 2025). Analogous patterns exist in other countries. In Vietnam, a sharp increase in exports to the United States correlated with increased imports of intermediate components from China, though firm-level evidence shows only 1.7 to 1.8 percent of Vietnam's total exports to the United States in 2021 consisted of genuinely rerouted Chinese goods (Doan, 2025; Iyoha et al., 2024). In Thailand, a strict transshipment watchlist implemented in November 2019 had no statistically significant effect on either Thai exports to the United States or Thai imports from China (Hayakawa & Sudsawasd, 2024). Mexico's dual position — as both a United States trade partner and a potential gateway for Chinese capital — and the scale of investment documented above establish the empirical basis for analyzing whether Mexico functions as a geoeconomic bridging node (Umar & Yang, 2025).

Navigating USMCA regulatory requirements imposes significant compliance costs on foreign manufacturers that further shape the investment calculus. The Federal Reserve calculated that administrative compliance costs for USMCA rules of origin are equivalent to an ad valorem tariff of 1.4 to 2.5 percent (Bowdle & Kamal, 2025). For BYD, these compliance costs must be weighed against the potential gains of accessing the United States market through Mexican production. The cumulative effect of the 75 percent regional value content threshold, the IRA's FEOC exclusion, and compliance costs degrades the cost advantages that Chinese manufacturers traditionally hold. Currently, the majority of Chinese operations in Mexico focus on final assembly, relying on intermediate goods manufactured in China (Espinoza & Espinoza-Oliva, 2025). This pattern suggests that Mexico operates more as an export transit point than an integrated production hub at the present stage of Chinese investment (Umar & Yang, 2025).

Analysis of China's Geoeconomic Interests in the United States through BYD Exports to Mexico 2022-2024

Mexico achieves the first structural requirement of a geoeconomic bridging node through its contextual positioning. The USMCA membership constitutes the structural foundation of this positioning, providing tariff-free access to the United States consumer market for automotive products meeting the 75 percent regional value content threshold. For BYD, establishing production facilities in Mexico offers a legally compliant pathway to bypass the 100 percent tariff on electric vehicles imported directly from China. The United States International Trade Commission reports that these rules of origin are Washington's primary instrument to limit non-North American content from entering the regional supply chain (USITC, 2024). The formal trade architecture connecting Mexico to the United States fulfills the first pillar of the bridging node framework as defined by (Umar & Yang, 2025).

The second pillar, coupling practices, remains constrained by legal barriers that prevent the deep industrial integration the bridging node concept requires. Chinese corporate investments in Mexico have increased substantially, yet the actual depth of industrial integration is limited by the USMCA's regional value content thresholds. To legally achieve the 75 percent requirement, BYD must localize value-added production processes in North America, including the sourcing of core components like lithium-ion batteries and the fulfillment of the labor value content mandate (Congressional Research Service, 2026). The empirical data presented in the preceding section demonstrates that the majority of Chinese operations in Mexico currently focus on final assembly, relying on intermediate goods manufactured in China (Espinoza & Espinoza-Oliva, 2025). The Inflation Reduction Act compounds this constraint: the FEOC exclusionary clause disqualifies any vehicle containing battery components from Chinese-linked entities from receiving the 7,500 US dollar consumer tax credit, creating a financial penalty that operates regardless of whether USMCA rules of origin are satisfied (Congressional Research Service, 2026). The Federal Reserve's calculation that compliance costs alone are equivalent to a 1.4 to 2.5 percent ad valorem tariff

(Bowdle & Kamal, 2025) further erodes the cost advantage that would incentivize deep localization. Mexico therefore operates more as an export transit point than an integrated production hub, which constrains its capacity to function as a bridging node (Umar & Yang, 2025).

The available evidence suggests that strategic relational proximity, the third pillar, is the most fragile element of Mexico's bridging node status. Mexico must balance attracting Chinese investment to boost domestic industrial capacity against political consequences from its most important trading partner. Morales-Fajardo & Franzoni (2024) document that Mexico's economic diplomacy during the United States-China trade war has been characterized by a consistent pattern of deferring to United States preferences on trade-sensitive issues involving Chinese capital. The most explicit manifestation of this deference occurred in April 2024, when the Mexican federal government announced it would halt federal incentives to Chinese electric vehicle manufacturers following demands from the United States Trade Representative to exclude subsidized Chinese manufacturers from accessing the North American market through preferential arrangements (Shepardson, 2024). This decision demonstrates that Mexico's sovereignty over its own industrial policy is constrained by its geopolitical position relative to the United States. BYD's presence in a country integrated into the United States economic sphere creates economic interdependencies that complicate Washington's decoupling efforts; empirical evidence demonstrates that United States tariffs against China resulted in global value chain reorganization to Mexico (Utar et al., 2025), inadvertently creating alternative channels for Chinese corporate influence within the immediate geographic periphery of the United States. The enforcement of USMCA rules of origin and the implementation of the Inflation Reduction Act confirm Washington's commitment to preventing Mexico from functioning as a pathway for Chinese electric vehicles (Umar & Yang, 2025).

Table 2. Matrix of Mexico as a Geoeconomic Bridging Node

Bridging Node Pillar	Status in Mexico	Analytical Justification
Contextual Positioning	Achieved	Secured through foundational USMCA membership
Coupling Practices	Constrained	Limited by RVC thresholds and IRA FEOC exclusions
Strategic Relational Proximity	Fragile	Vulnerable to direct US political demands (April 2024 incentive halt)

Source: compiled by the author based on cited sources

Within the party-state capitalism framework, BYD's strategic decisions can be interpreted as shaped by incentive structures created by the Chinese government rather than direct geopolitical mandates from Beijing. BYD operates formally as a private entity listed on the stock market, and its corporate behavior must be evaluated within the analytical

boundaries established by (Pearson et al., 2021). State industrial policies created the conditions that propelled BYD's internationalization: capital subsidies generated structural overcapacity, domestic market protection fostered rapid growth, and control over critical raw materials secured supply chain advantages (Li, 2025; Mayr et al., 2026). The export into Mexico is a corporate response to this domestic overcapacity and to tariff barriers in the United States and European markets, not an explicit directive from Beijing (Wang, 2026). BYD did not receive a mandate to invest in Mexico. The firm navigates international trade to maximize its commercial interests within parameters set by the state's developmental goals. However, because BYD is a recognized national champion whose global success is intertwined with state objectives, its commercial expansion can be interpreted as advancing China's geoeconomic interests within this analytical framework (Irfan & Tang, 2026). This convergence of corporate incentives and state goals illustrates the mechanism through which party-state capitalism operates: the state creates conditions, the firm acts within them, and the outcomes serve both (Pearson et al., 2021).

The integration of structural and actor-level analyses yields the following determination. At the structural level, Mexico fulfills only two of the three requirements for a geoeconomic bridging node: contextual positioning is achieved through the USMCA, but coupling practices are constrained by the 75 percent regional value content threshold, the IRA's FEOC exclusion, and compliance costs equivalent to a 1.4 to 2.5 percent ad valorem tariff, while the available evidence suggests that strategic relational proximity is fragile, as demonstrated by Mexico's suspension of incentives for Chinese electric vehicle manufacturers under direct United States Trade Representative demands in April 2024 (Shepardson, 2024). At the actor level, within the party-state capitalism framework, BYD's expansion can be interpreted as a corporate response to domestic overcapacity and 100 percent United States tariffs operating within state-created incentive structures, rather than an explicit directive from Beijing. The alignment between BYD's commercial decisions and state geoeconomic objectives occurs through incentive convergence rather than direct operational mandates (Pearson et al., 2021; Umar & Yang, 2025). The geoeconomic bridging node concept, as developed by (Umar & Yang, 2025) for the Moroccan case, encounters analytical limitations in the Latin American context because the United States possesses institutionalized defensive mechanisms — including USMCA rules of origin, Inflation Reduction Act exclusionary provisions, and direct political leverage over Mexico — capable of neutralizing the structural advantages a third country offers. The convergence of corporate and state interests characteristic of party-state capitalism is insufficient to overcome these regulatory barriers. This finding suggests that the effectiveness of geoeconomic strategies depends not only on the offensive capabilities of the expanding power but equally on the defensive capacity of the hegemon to entrench protectionist rules within regional trade architectures (Pearson et al., 2021; Umar & Yang, 2025).

CONCLUSION AND SUGGESTION

A third country can function as a geoeconomic bridging node when three structural conditions are jointly fulfilled: contextual positioning through formal trade agreements, coupling practices integrating foreign production into domestic value chains, and strategic relational proximity enabling diplomatic balance between competing powers. In Mexico between 2022 and 2024, contextual positioning exists through the USMCA, but the remaining conditions are not met: coupling practices are constrained by the 75 percent regional value content requirement, the Inflation Reduction Act's Foreign Entity of Concern exclusion, and compliance costs equivalent to a 1.4 to 2.5 percent ad valorem tariff; the available evidence suggests that strategic relational proximity is fragile, as demonstrated when Mexico suspended incentives for Chinese electric vehicle manufacturers under direct United States Trade Representative demands in April 2024 (Reuters, 2024). At the actor level, within the party-state capitalism framework, BYD's expansion can be interpreted as a corporate response to domestic overcapacity and 100 percent United States tariffs operating within state-created incentive structures, rather than an explicit directive from Beijing (Pearson, Rithmire, & Tsai, 2021; Umar & Yang, 2025).

Mexico is therefore not currently a complete geoeconomic bridging node for Chinese electric vehicles into the North American market. The bridging node concept, as developed by Umar and Yang (2025) for the Moroccan case, encounters analytical limitations in the Latin American context because the United States possesses institutionalized defensive mechanisms; USMCA rules of origin, Inflation Reduction Act exclusionary provisions, and direct political leverage over Mexico that are capable of neutralizing the structural advantages a third country offers. This finding suggests that the effectiveness of geoeconomic strategies depends not only on the offensive capabilities of the expanding power but equally on the defensive capacity of the hegemon to entrench protectionist rules within regional trade architectures. Future research should monitor USMCA enforcement leading up to the 2026 joint review and assess whether Chinese electric vehicle manufacturers can localize supply chains in North America without triggering retaliatory measures (Pearson, Rithmire, & Tsai, 2021; Umar & Yang, 2025).

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