Global liners flock to Mexico

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July 16, 2024

South Korean flagship carrier HMM became the latest liner this week to announce a new service linking China with emerging manufacturing powerhouse Mexico.

There have been a rash of similar China-Mexico loops announced in recent months changing the makeup of the transpacific container trades.

Last week, Ocean Network Express (ONE) detailed a new similar shuttle service, while last month both COSCO and OOCL did similar with Mediterranean Shipping Co (MSC) also getting in on the act earlier in the year.

Data from Container Trades Statistics show January to May volumes between China and Mexico set a new record ofd 563,829 teu, up 28% on the same period in 2023. Annual growth in container shipping between China and Mexico had already increased by 34.8% in 2023 compared to just 3.5% in 2022.

Last year, Mexico overtook China as America's top trade partner, according to data from the US Commerce Department.

Emily Stausbøll, a senior shipping analyst at Xeneta, a freight rate platform, told *Splash*: "The China to Mexico trade has seen phenomenal growth in recent years, even during 2023 when ocean container shipping volumes were subdued at a level global."
Stausbøll attributed the record-breaking figures in 2024 down to the same factors behind the enormous growth in 2023 – such as importers using Mexico as a backdoor to the US to avoid tariffs on goods from China. She also cited other factors such as increased investment in manufacturing in Mexico.

"In a purely hypothetical scenario, if this growth rate continues, by the year 2031 there will be more containers imported from China into Mexico than the US west coast," Stausbøll's colleague at Xeneta, Peter Sand, said earlier this year, noting the recent opening too of a cargo-only airport at Mexico City.

With carriers announcing new services between China and Mexico to meet this increasing demand, the available capacity on this trade has allowed spot rates to fall earlier and faster from the recent market spike compared to other fronthaul trades out Asia, according to data from Xeneta.

"While carriers can continue to add capacity, how port infrastructure in Mexico will be able to cope with this incredible growth long term is another question," Stausbøll cautioned.

Just how much of Mexican exports to the world's largest economy is backed by Chinese companies has become a source of great debate in this year of US presidential elections.

In recent years, direct investment from Chinese companies into Mexico has experienced significant growth. This surge is evident in the figures, rising from $38m in 2011 to $386m in 2021. Notably, Chinese companies now represent the fastest-growing source of foreign investment in Mexico. Their investment predominantly targets the manufacturing sector, encompassing projects ranging from computer equipment such as Lenovo's mega site investment in Mexico on computer, server and computer rack assembly, construction equipment led by Lingong Heavy Machinery, furniture led by Man Wah, and electric vehicles with BYD and Chery making massive investments, something that has become a talking point on the US campaign trail.

Former president Donald Trump has said he would hit cars made in Mexico by Chinese companies with a 100% tariff, double the levy he has previously said he would put on automobiles made south of the US border.

The Biden administration, meanwhile, last week imposed tariffs on steel and aluminum shipped from Mexico that were made elsewhere — an attempt to stop China from avoiding import taxes.

There will be a 25% tariff on steel not melted or poured in Mexico and a 10% tariff on aluminum.

“The US will likely increase measures aimed at curtailing the rise in Chinese exports and foreign direct investment flows to Mexico,” stated a recent report from S&P Global.