

SDBJ GUEST COMMENTARY

Mexico's New Textile Trade Policy: A Threat to North American Supply Chains

■ By STEVEN B. WILLIAMS, JOSE "PEPE" LARROQUE and JOAQUIN E. LUKEN

When you order or shop locally from popular brands like Vuori, Kate Spade, Coach, Alo yoga or Fabletics, chances are your purchase has been processed through Mexico's sophisticated cross-border logistics network. This seamless operation, which has served American consumers for decades through the IMMEX program (formerly known as maquiladora), is now under threat from an abrupt Mexican government decree that could reshape how U.S. consumers receive their goods – and not for the better.

On December 19th, Mexico's Secretary of Economy announced a decree that effectively terminates a vital component of U.S.-Mexico trade relations in the textile sector. While ostensibly aimed at combating textile smuggling from China, this hastily implemented policy threatens to unravel decades of carefully cultivated cross-border economic integration that has benefited businesses and consumers on both sides of the border.

The human cost is staggering; over 67,000 Mexican jobs and thousands of U.S. positions are at immediate risk. In the Cali-Baja region alone, more than 250 trucks daily will lose their routes, and over 6 million square feet of industrial warehouse space risks standing empty. But the implications stretch far beyond immediate job losses.

This sudden policy shift sends a troubling message to international investors about Mexico's reliability as a business partner. At a time when global companies are actively seeking to relocate their supply chains closer to the U.S. market – a trend known as nearshoring – Mexico's actions could redirect billions in potential investment to other countries. Vietnam, Indonesia, and other Asian nations stand ready to capture the manufacturing and logistics operations that Mexico seems willing to surrender.

What's particularly concerning is how this decree might signal a broader shift in Mexico's approach to international business. Today it is textiles; tomorrow it could be electronics, automotive parts, or

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medical devices – all sectors where Mexico has built substantial expertise under the IMMEX program (which allows foreign companies to import goods and raw materials tax free if the finished product or service is destined for export to the U.S.). American consumers have benefited from this proximity, receiving their orders faster and more efficiently than from Asian suppliers. This competitive advantage, built over decades, is now at risk.

Consider this: when you order from a major U.S. retailer, your package likely passes through a sophisticated Mexican distribution center employing hundreds of skilled workers. These facilities don't just handle individual e-commerce orders – they process massive shipments to department stores like Nordstrom, manage returns, and provide value-added services like customization and quality control. All of these operations comply fully with both U.S. and Mexican laws, including the U.S. Mexico Canada Agreement (known as USMCA) creating jobs and economic value on both sides of the border and at the same time are a key factor in their business model.

The decree's implementation process is particularly troubling for foreign investors. There was no consultation with affected businesses, no dialogue with chambers of commerce, and no transition period. The policy was announced in the morning and took effect the next day, giving companies no time to adapt or seek alternatives. This approach has already prompted some major U.S. brands

to completely withdraw their operations from Mexico – not because of market conditions, but due to this unexpected policy shift.

Mexico's competitive advantage has always been more than just geographical proximity to the U.S. market. It's been built on predictability, established business frameworks, and a skilled workforce that understands U.S. quality standards, culture and consumer expectations. This recent decree threatens to erode these advantages, potentially forcing U.S. companies to look elsewhere for their manufacturing and logistics needs.

The ripple effects could be far-reaching. As one American CEO noted after investing heavily in Mexican operations: "We made the decision to come to Mexico for the quality of labor without sacrificing the speed expectations of our consumers. We never expected to be sabotaged by the very framework that invited us here."

If this policy stands, it won't just be Mexican workers and U.S. companies that suffer – American consumers will ultimately pay the price through longer delivery times, higher costs, and reduced product availability. In today's competitive global market, can we afford to dismantle one of North America's key competitive advantages? ■

Steven B. Williams is Chair, Jose "Pepe" Larroque is Co-Chair, and Joaquin E. Luken is Executive Director of the Smart Border Coalition.

table at any sort of Operation Warp Speed version two, whenever that happens." ■

Arcturus Therapeutics

FOUNDED: 2013
CEO: Joseph Payne
HEADQUARTERS: Torrey Pines
BUSINESS: Commercial mRNA medicine and vaccine development
EMPLOYEES: 170
STOCK: ARCT (Nasdaq)
WEBSITE: arcturusrx.com
NOTABLE: Arcturus has therapeutic candidates to potentially treat ornithine transcarbamylase deficiency and cystic fibrosis, and has developed mRNA vaccine programs for COVID-19 and influenza.

Arcturus

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have spread in the wild, where fatality rates surpass 50%, Payne argued a wider-scale bird flu outbreak among humans is a matter of "when," not "if."

"There is some urgency," he said. "We want to have this in place and potentially stockpiled prior to any sort of outbreak. And if there is an outbreak, then it can be rapidly controlled especially with this technology."

Payne added that while Arcturus' vaccine candidate does have the chance for secondary protection that would prevent infection entirely, the company's primary goal

is simply to prevent serious complications or death as the result of a bird flu infection.

Arcturus was not involved in Operation Warp Speed, the federal public-private partnership to accelerate the development and distribution of COVID-19 vaccines and other treatments, but the company has since built relationships with federal researchers – including securing a three-year, \$60 million grant to advance the development of ARCT-2304 – and aims to assist in future pandemic preparedness efforts.

"There's many, many, many different types of infectious diseases and viruses out there that if there's an outbreak, we need to move quickly," Payne said. "Now that we have the infrastructure in place, the contracts with the U.S. government and those relationships in place, we would definitely have a seat at the

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