

Globalization

Globalization in the economic sphere is made up of two main components: the globalization of markets and the globalization of production. Due to the characteristics of this document (*Documento Marco*), I will focus on the globalization of production.

The globalization of production is manifested by the tendency of companies to produce and supply goods and services from different strategies and geographical locations, thus taking advantage of national differences in the factors of production in response to the changing conditions of the global economy. In doing so, they reduce the overall cost structure and improve the quality or functionality of products, thus achieving more effective competitiveness.¹

Twenty years ago, Kenichi Ohmae described the term globalization in his book “The Next Global Scenario (2005)”², arguing that “*we live in an intertwined and interdependent world, united by a global economy*”. He stressed, that “*business and economics in the past were like plays performed in separate auditoriums, each with its own audience. Although their actors and actresses were different, their acting was often influenced by each other's theatrical tradition. Now the play is performed on a single, huge global stage. Here the actors sometimes find themselves competing for the audience's attention, and movements across the stage flow freely, with no obsolete stage furniture to hinder them*”³.

According to Ohmae, a new world is born with globalization, governed by new rules. However, he points out that very often there are no rules that can adequately explain what we experience daily. In this case, he warns that globalization, on the one hand, presents opportunities, but also challenges that companies must face, and they will only be able to do so successfully by adopting flexibility and pragmatism as their rules.

For his part, Barry Lynn does it in his book “End of the Line: the rise and imminent fall of global corporations” (2006)⁴, using the event of September 1999: “*an earthquake devastated much of Taiwan, toppling buildings, knocking out power and killing 2,500*

¹ Casilda Béjar, Ramón (2011): “*Multinacionales Españolas en un Mundo Global y Multipolar*”. ESIC Editorial. Madrid.

² Ohmae, Kenichi (2005): “*The Next Global Scenario. Challenges and Opportunities in a Borderless World*”. Granica. Barcelona. A book that as a strategist and visionary presents a radically new world rising from the ashes of the old economic system based on the nation, where he reveals this post-globalized world.

³ The metaphor works because everyone understands it. Although the show evolves as geopolitical, geo-economic and geo-strategic events change.

⁴ Lynn; C. Barry (2006): *End of the line. The Rise and Coming Fall of the Global Corporation*. Crown. A book that demonstrates that globalization can be a great force for creating wealth, spreading prosperity and promoting peace, but only if we master its complexities and address them in a way that protects and promotes the national interest.

people. Within days, factories as far away as California and Texas began shutting down. Cut off from their supplies of semiconductor chips, companies like Dell and Hewlett-Packard began shutting down assembly lines and sending workers home. A disaster that only a decade earlier would have been primarily local in nature, almost turned into a major global crisis. The event, in an instant, illustrated how closely connected the world had become and how radically different the risks are". Lynn makes the point that globalization is synonymous with the extreme reliance on offshoring of production once U.S. companies created a global production system. He argues that U.S. citizens depend on the goodwill of people in very different nations and regions of the world.

Ohmae believes that the acceleration of globalization began in the 1980s with the strategy of business process outsourcing, which sought to take advantage of specialized suppliers for specific activities with cheaper labor in order to reduce costs while maintaining quality. This was followed by the offshoring strategy in the 1990s, which basically consisted of outsourcing production to countries with lower labor costs.

Both strategies accelerated the offshoring of global production, with companies preferring Asian countries such as Vietnam, Bangladesh and India, but especially China, where the corporate pilgrimage was unstoppable. At the time, no one appreciated the consequences of making it the "factory of the world", when it was almost 5% at the time of its accession to the World Trade Organization (WTO; December 11, 2021). Nowadays, it accounts for more than 25% of industrial gross value added.

Decades later, the consequences became evident. The weakness of supply chains⁵, which reduced their flexibility and ability to respond quickly to sudden deviations in demand, echoed around the world. Three historical milestones remind us of this. First, the arrival of the 2008 financial crisis that gave way to the Great Recession. Years later was the emergence of Covid-19 and then Russia's illegal invasion of Ukraine in the fateful dawn of February 23, 2022. The succession of these milestones triggered geopolitical events, which invaded the economy and overlapped in the midst of the "polycrisis" - comprising the economy, public health and the environment- reaffirming that supply

⁵ Supply chains have become a trend in production and trade in the global economy. Supply chains are complex, diverse, fragmented, dynamic and evolving organizational structures. A variety of terms are used to describe them, such as "global production networks", "global value chains" and "global supply chains". All of these terms refer to the same basic aspects of cross-border production and trade, but from somewhat different perspectives. Report IV (2016): 'Decent work in global supply chains'. International Labour Office. Geneva.

chains are the backbone of the global economy, which currently continues to have a strategic dependence on China (21% of final manufactures and 30% of intermediate products) and maintains its preponderance in key sectors such as green energies (90% of solar panels).

So the main question that arose was, should offshoring of production preferentially to a single country or rather to different countries, depending on differences in production factors, tariff barriers, political risks and geographical proximity? Preferential offshoring to a single country may be efficient in operational terms but is often inefficient strategically⁶.

In a deeply interconnected world, where geopolitics have increasingly shaped and permeated the economy, these issues have ushered in a new phase of globalization.

The new globalization

At least all the above events forged the new phase of globalization, called in different ways: *new globalization, de-globalization or reglobalization* (henceforth new globalization), which, in my view, is neither definitive nor closed, since relevant foreseen events and other unforeseen events that cannot be ruled out and are equally relevant, will most probably set the course of the new globalization at least during this decade and possibly the following ones. You are not wrong, if you are thinking about who will set the course of the new globalization, Donald Trump, as the 47th President of the United States.

Thus, one event followed another and overlapped with another, creating situations considered unsustainable. One example is the administration of President Joe Biden, which considered situations unsustainable in terms of “national security⁷”. Governments increasingly leverage their economic power to advance their foreign policy objectives and protect their national security or national economic security interests.

In October 2022, the United States approved the “National Security Strategy” (The White House, 2022), which defined geopolitical priorities, with a clear distinction between China (categorized as a systemic and global challenge) and Russia (identified as a direct but

⁶ On this subject, which has to do with the aspects most closely related to global business, see; Hill; W. L. Charles (2021): “*Negocios Internacionales. Cómo competir en el mercado global*”. McGraw-Hill. Ciudad de México.

⁷ Days before the end of his term, President Joe Biden vetoed the purchase of US Steel by Japan's Nippon Steel, citing national security reasons.

more localized threat). The United States' existential challenge is thus located in China. In fact, the Strategy clearly prioritizes the Indo-Pacific region, stating that it has entered “a new era in U.S. foreign policy that will require more of the United States in the Indo-Pacific than has been required of us since World War II”, and that “no region will be as significant as the Indo-Pacific for either the world or the United States”, placing the center of the rivalry with China there, although the scope of the latter is global (Simón, 2022)⁸.

China believes that the United States generalizes the concept of national security to politicize and militarize economic, trade and technology issues. In this way, it abuses measures to control and restrict exports to China unjustifiably of certain products, in reference to advanced high-performance memory chips. A situation that began in 2018 under the presidency of Donald Trump, which were subsequently extended by Joe Biden in 2022. These restrictions, aim to curb China's advance in the production of advanced chips, considered by the United States as key to national security.

To one action, another reaction. China's reaction was forceful, totally banning exports to the United States of “dual-use” minerals and metals used in the manufacture of semiconductors, which also have military applications, which it considers an appropriate response to the restrictions imposed by the United States. Thus, the sale of critical minerals such as “gallium, germanium, and antimony” and superhard materials will no longer be allowed, while controls on graphite will be tightened.

Faced with China's reaction, researchers from the U.S. Geological Survey (USGS)⁹, have developed a new model to assess how disruptions in the supply of critical minerals could affect the U.S. economy. The results indicate that a complete curtailment of China's net exports of gallium and germanium could cause U.S. GDP to decline by \$3.1 billion and \$3.4 billion if they are simultaneously disrupted. The proposed model can be applied to other commodities and disruption scenarios.

USGS determines that the impact that the United States would suffer due to the decrease in imports of gallium and germanium would be concentrated in the semiconductor manufacturing industry, which would account for more than 40% of the total loss. Additional losses would be distributed across multiple industries. According to the results

⁸ Simón, Luis (2022): “Autonomía estratégica y defensa europea después de Ucrania”. ARI 62/2022. Real Instituto Elcano. Madrid.

⁹ USGS. Science for a Changing World (noviembre, 2024): “Quantifying the potential effects of China's gallium and germanium export restrictions on the U.S. economy.”. <https://doi.org/10.3133/ofr20241057>

of the new model, gallium prices could increase by more than 150% and germanium prices by 26% in the event of a total ban, but the decrease in economic activity would be mainly due to reduced supplies.

As for Europe, the US National Security Strategy soon provoked a reaction from the United States. The Commission, with a certain degree of autonomy and in difficult coordination with the Member States, decided to go deeper into the concept of economic security, intimately linked to strategic autonomy, but also difficult to specify. Let us say that, since the European Union cannot speak of national security, it decided to develop the concept of economic security as a specific area of the general concept of strategic autonomy, and taking into account that the economy (and in particular trade and direct investments) is the clearest area of competence within the EU¹⁰.

Along these lines, the Commission and the High Representative produced the Joint Communication on a European Economic Security Strategy (3-10-2023)¹¹, focused on minimizing the risks arising from certain economic flows in the context of increased geopolitical tensions and accelerating technological change, while preserving the highest levels of openness and economic dynamism. The Commission adopted the Recommendation on technology sectors critical to the economic security of the European Union, in order for Member States to carry out a more comprehensive risk assessment. The Commission recommends risk assessments in four critical technology areas: advanced semiconductors, artificial intelligence, quantum and biotechnology. More recently, the Community has asked countries to analyze their companies' investments abroad in the fields of semiconductors, AI and quantum technologies. Countries such as Japan and China already carry out this type of control and in the United States the regulatory framework is being developed.

All these events of crossfire between the three powers represent a situation that is not at all comfortable, but rather uncomfortable for the new globalization, resulting in a decrease in international trade. A situation confirmed by the International Monetary Fund (IMF) in the "World Economic Outlook" (January, 2025), where it makes a slight downward

¹⁰ Feas, Enrique (mayo-junio, 2024): *La geopolítica actual y la autonomía estratégica. el resurgir del conflicto librecambio-proteccionismo*, en: "Economía y geopolítica en un mundo en conflicto". Revista Información Comercial Española (ICE), Nº 935. Secretaria de Estado de Comercio. Gobierno de España.

¹¹<https://digital-strategy.ec.europa.eu/en/news/commission-recommends-carrying-out-risk-assessments-four-critical-technology-areas-advanced>. Para más detalle, véase; Moreno, Luis y Pedreño, Andrés (2020): "Europa frente a Estados Unidos y China. Prevenir el declive en la era de la Inteligencia Artificial". www.prevenireldeclive.com

revision in the growth rate of global trade for 2025 and 2026. And the main reason for this is the increase in trade policy and uncertainty about whether there could be a new wave of trade tensions, a new wave of trade-distorting measures, leading companies to reduce some of these expansions.

This is a scenario that puts the World Trade Organization (WTO), the institution responsible for facilitating world trade and settling disputes between different States, on its guard. In this regard, it is worth noting that the European Union considers its reform to be a priority. The United States has also been critical for some time because it has not succeeded in integrating China, whose economic model is not very transparent, subsidized and controlled by the state, which imposes its rules and regulations.

For WTO, it is a priority to revive international trade in order to prevent the world economy from continuing to slide down an increasingly dangerous slope. WTO report “Reglobalization for a Safer, More Inclusive and More Sustainable Future”, states (2023)¹², in the foreword by the Director General, Ngozi Okonjo-Iweata, the need to define the new globalization under the term reglobalization, which she believes offers better possibilities for the future.

Reglobalization would revive international trade and would “*bring more countries and communities out of the margins of the world economy and into it, creating deeper, more diversified and more resilient markets. It would also allow for less concentrated trade relations between countries, making it more difficult to instrumentalize interdependence. Reglobalization maintains the concern that the benefits of trade should be distributed more equitably within and between countries*”

The truth is that the WTO has not been able to resolve trade conflicts between countries. The most notorious example is the confrontation between the United States and China, sometimes more open and sometimes more hidden, reminiscent of the times of the Cold War between the Soviet Union and the United States. Against this political backdrop, four priority issues are on WTO agenda: anti-dumping policies, high levels of protectionism in the agricultural sector, lack of strong intellectual property rights protection in many nations, and persistently high tariff rates on non-agricultural goods and services in many

¹² Report (2023): “Reglobalization for a Safer, More Inclusive and More Sustainable Future”. Foreword by the Director-General, Okonjo-Iweata, Ngozi World Trade Organization. Geneva.

countries. Each of these priority issues was addressed during negotiations among members in the Doha round that began in 2001 and appears to remain stalled to date.

Taking up the possibility of a New Cold War, it is important to understand the differences between the China of today and the Soviet Union of yesterday, which is a good start in evaluating the main characteristics that distinguish the geopolitical conflict and power relations that defined the second half of the 20th century from today, with the particularity that China is not like the Soviet Union of that time, especially in one important aspect: it is committed to globalization ("The New Cold War, 2024)¹³.

If a new Cold War escalates under the Trump Administration, China surely already has the coordinates to deal with possible clashes or disagreements with the United States. An anticipatory example is the meeting between Presidents Joe Biden and Xi Jinping during the "Asia-Pacific Economic Cooperation Summit" (APEC, Lima, November 16, 2024). Jinping stated: *"A new Cold War should not be fought, because it cannot be won. Containing China is reckless, unacceptable and doomed to failure"*. He also said that *a stable relationship between China and the United States was crucial for both sides and the world*".

Adding that the United States and China, *"treat each other as opponents or enemies, engaging in fierce competition, harming each other, for which, relations between the two countries suffer setbacks or even regressions"*. On the contrary, the goal should be a stable and unchanged relationship, and that to achieve this he will work with President Trump, *"to maintain communication, expand cooperation and manage differences"*. Biden, for his part argued, that *"the competition between the two global powers should not escalate into war. Our two countries cannot allow this competition to escalate into conflict"*. That is our responsibility, and I believe that in the last four years we have shown that it is possible to have this relationship.

Since this is a relationship fraught with tension, framed around a trade war, it could be an incorrect assessment and rather, such tension, although framed around trade, only represents a broader confrontation, which can be considered a New Cold War for world

¹³ Niblett, Robin (2024): *"La Nueva Guerra Fría"*. RBA Libros. Barcelona.

hegemony¹⁴, over which we will see disputes in all areas, whether over artificial intelligence, advanced chips, semiconductors, critical minerals, Taiwan, the South China Sea or the Silk Road¹⁵.

In the case of this hypothetical New Cold War¹⁶, each of the countries will try to ensure that the situation that it unleashes favors them according to their interests, taking into account that these will vary according to the moment and the situation, which could even lead to unsuspected situations, with the background of a military conflict in their struggle for control and domination of the world order. However, countries could also turn the New Cold War into cooperation, prosperity and peace, as the motto of the new globalization.

A situation where the power of ideas and the changes they bring about can be seen. Remember that John Maynard Keynes, writes in the final pages of his famous work “General Theory of Employment, Interest and Money” (1936): “*The ideas of economists, philosophers and politicians, both when they are right and when they are wrong, are more powerful than is usually thought. In reality, the world is governed by little more than a handful of ideas*”.

The new globalization and opportunities for Ibero-America: friendshoring and nearshoring

The new globalization continues to be trapped by the West's dependence on a large part of the raw materials it needs from third countries, not always friendly or friendly, such as Russia.

Europe has proven this given its high dependence on Russian gas¹⁷, which caused its energy model to go into crisis since the beginning of the Ukrainian war. Germany has been the worst affected. A situation that has hit its economy, since the change in the

¹⁴ The world hegemony of the United States was rather short-lived, lasting only about twenty years, from the fall of the Berlin Wall in 1989 to the Great Recession of 2008. We will have to wait for the evolution of the United States with the presidency of Donald Trump on the one hand, and China on the other.

¹⁵ For more details, see; Ramón Casilda Béjar (2019): “*Capitalismo. Crisis y Reinención*”. Tirant Humanidades. Valencia.

¹⁶ For more details, see; Mahbubani, Kishore (2024): “*Living the Asian Century: An Undiplomatic Memoir*”. Public Affairs.

¹⁷ Russia has stopped sending gas to Europe. On January 1, 2025, it stopped flowing through the Ukrainian Gas Transit pipeline. Ukrainian President Volodimir Zelenski previously announced that he would not renew the contract signed in 2019 with the Russian gas company Gazprom. This gas accounts for only 5% of the supply and mostly affects Czechoslovakia.

advantageous supply conditions has caused companies such as the Volkswagen Group, the largest automobile manufacturer in the world and the most emblematic brand of German industry, to experience turbulent times, strikes and massive layoffs of thousands of workers, something never seen before. All of which has led to a decline in its economy, which closed in 2024 with a fall of -0.2% (-0.3% in 2023), weighed down by the drop in exports, to the point that it has been surpassed by Spain in the third quarter of 2024, as the European country with the highest contribution to GDP from the foreign sector.

Europe remains the world's largest exporter of manufactured goods and services. In 2023, the United States was the main destination for goods with a share of 19.7% of total exports, followed by the United Kingdom (13%), surpassing China (8.8%). Thus, the largest exporting power continues to have a degree of openness that far exceeds that of the United States. The sum of the European Union's trade relations (exports + imports) with foreign countries amounts to 55% of GDP; that of the USA is barely 25%. China, with 45%, does not reach Europe's level. This translates into positive trade balances with the United States year after year, with 160 billion euros in 2023. This situation is what Trump wants to radically change, and the German economy will be the most affected.

China, with an average annual GDP growth of 8.3% over the last two decades, compared to 2.2% for the United States and 1.5% for the European Union, leads the world economy and is the world's largest trading engine for more than 120 countries, including Latin American countries, which have the Chinese market as the most important for their exports, as is the case of Brazil, Chile, Cuba, Peru and Uruguay.

Jinping, during the meeting with the heads of major international economic organizations at the “1+10” *Dialogue*¹⁸, remarked China's message of commitment at the “Asia-Pacific Economic Cooperation Summit” (APEC, Lima, November 16, 2024), guaranteeing that its model contributes to the progress of the global community and that China “*will continue to expand its openness to the outside world, with development that will be open and inclusive*”. Adding, that “*in tariff, trade or technology wars there are no winners*,” he called on the United States to work together, “*to push bilateral relations in a stable, healthy and sustainable direction*”. To this end, “*China will practice multilateralism with major*

¹⁸ Among others were Kristalina Georgieva, managing director of the International Monetary Fund; Ajay Banga, president of the World Bank; Masatsugu Asakawa, president of the Asian Development Bank; Ngozi Okonjo-Iweala, director general of the World Trade Organization; and Dilma Rousseff, president of the New Development Bank.

international economic organizations, promote international cooperation, support the development of countries in the global South and inclusive economic globalization to build a just world'.

The *new globalization* has made its way with synchronicities and asynchronicities that have drawn scenarios that in some cases are not very predictable, but acceptable. However, with the arrival of President Trump, the new globalization, with its synchronicities and asynchronicities, will come under review, encompassing the entire world geopolitical, geoeconomic and geostrategic chessboard, which for the moment, as I write this *Documento Marco*, is an unknown quantity. The same is true for Ibero-America, since the course could be significantly altered, and with it, the opportunities offered by the new production trends described below: friendshoring (friendly country or friend's host) and nearshoring (nearby production).

New opportunities for Ibero-America: friendshoring and nearshoring

The new opportunities for Ibero-America offered by friendshoring and nearshoring, allow it to count on important foreign investments. Consequently, governments facilitate their arrival and even more so if they are investments in new facilities (greenfield). Attracting them brings innovation, technology and greater added value, i.e., quality jobs, which avoid falling into the reprimarization of the economy¹⁹. A growth model, which prevailed during the period 1850-1930, characterized by exports of primary products that constitute the majority of the value of exports, with the danger of income variations due to price fluctuations in international markets, taking into account the aggravating factor of economic instability and, consequently, the erosion of growth and wealth creation.

Another reading of the new opportunities is that they make it possible to accelerate industrialization and productive modernization. Industry is the driving force behind economic growth. All nations with a high level of development belong to the industrialized world. Conversely, countries without industry, or with insufficient manufacturing activity, suffer the hardships that are a common feature of developing regions²⁰.

¹⁹ The so-called "lottery of primary products", coffee, sugar, bananas, cereals, livestock, oil, gas and the group of minerals and metals (copper, aluminum, silver, platinum and zinc) occupy the dominant positions.

²⁰ Socioeconomic inequality and political instability mean that Ibero-America is considered a developing region, along with much of Asia, Africa and Oceania.

Friendshoring

The concept of friendshoring is first mentioned in the White House report “Building resilient supply chains, revitalizing American manufacturing, and fostering broad-based growth” (June, 2021). The report emphasizes that secure and resilient supply chains are essential to U.S. national security, economic and technological leadership.

Subsequently, the concept was promoted by the Secretary of the Treasury of the United States, Janet Yellen, being notorious as the international press extensively covered the speech she gave during her visit to the LG Science Park (LG Science Park, Seoul, July 19 2022), where it sought to convey the geopolitical meaning contained in said concept: *“group countries with shared values and principles to promote the linking of supply chains between them, to continue expanding securely access markets and reduce risks. During Covid-19, we realized that they were very fragile and lacked resilience. Countries that support a set of common values about international trade and behavior in the global economy should trade and reap the benefits of their linkage, so that we have multiple sources of supply and are not overly dependent on the supply of key products from some countries, especially those with which we have conflicts”*.

Yellen stated in her speech to the Ibero-American heads of state convened by Ilan Goldfajn, president of the Inter-American Development Bank at the Americas Partnership - IDB Responsible Investment Forum that “Friendshoring favors economic development in Latin America, creating new opportunities”. (Washington, November 3, 2023).

Yellen centered her message around the fact that there are enormous benefits in the region at a time when geopolitical tensions are increasing and adding complexity and uncertainty to economic and trade relations, making it necessary to share the idea of collaboration: “We have to promote interregional trade, and we have the unique opportunity to be able to collaborate closely for mutual benefit”. Strengthening supply chains from Latin America to the United States makes it possible to strengthen trade relations, reduce dependence on China and counteract its growing influence in the region.

An objective that will be a priority for President Trump, since this does not stop increasing²¹.

Although supply chains require greater predictability and security, and it is necessary to build trust between friendly countries, it cannot be said that this is enough for a friendly country to remain a friend forever. Experience shows that even friendly countries can turn against each other. Think of the European Union and the United States, which despite their affinities, go through a period of confrontation that strains their relations. However, it is also true that they need to overcome their differences to strengthen their relations in order to counteract their dependence on China.

Mexico represents an example of how friendshoring favors trade relations between Ibero-American countries and the United States, as they have in their favor what Yellen calls for, *“grouping countries together, with shared values and principles to favor the linking of supply chains among them, to continue to safely expand market access and reduce risks”*.

Nearshoring

Its origin is found at the beginning of the trade war in 2016 between the United States and China and it did so under the motto *“Make America Great Again”*, campaign slogan Donald Trump's election that encouraged the departure of American companies from Asia and the return to their country.

Subsequently, the interruption of supply chains with Covid-19, the temporary closure of the Suez Canal, and of course the war in Ukraine, accelerated nearshoring, which as a concept implies a change in production strategy. This means producing in countries close to the destination markets, achieving greater security and agility in delivery, reducing transportation costs and lower production costs.

For certain sectors in the United States, security and supply agility requirements are the main factors determining close production. Mexico is a clear beneficiary due to its geographical proximity (they share 3,141 km of border through which the largest number

²¹ Francisco Martínez (The Independent, 15-09-2024): *“The B side of the Chinese presence in Latin America”*. Evan Ellis (Infobae, 27-12-2024): *“The evolution of Ecuador’s relationship with China”*. In Peru, the Government announced (01-06-2025) the construction of the Bullet Train, Lima-Ica, financed by China. The project amounts to 6,500 million dollars. The Chancay megaport has also been inaugurated, owned 60% by the Chinese state company Cosco Shipping Ports and the other 40% by the Peruvian mining company Volcán.

of goods and people in the world circulate, it shares time zones and the advantages of the North American Free Trade Agreement (NAFTA, currently USMCA).

One of the many possible examples is Santa Catarina, a municipality of Nuevo León with 310,000 inhabitants, chosen for the new Tesla factory, which will produce up to 1,000,000 electric cars per year with an investment of more than 4.5 billion dollars, although at the moment the project is on pause. There is also the Chinese electric car manufacturer BYD – the world's leading producer and distributor and Tesla's main rival, whom it will surpass in 2024 – is studying setting up shop in the same State, with an initial production capacity of about 150,000 vehicles per year. A relevant point in this competitive struggle is that if a car produced by BYD in Mexico, with certain Chinese inputs, if sufficient transformation is carried out and complies with customs rules, it could comply with USMCA and not pay any tariff. The Treaty stipulates that, to avoid tariffs (the most beautiful word in the world for Donald Trump), at least 75% of the nuclear parts of the vehicle, such as the engine or transmission, must have originated in one of the partner countries.

Another example on the European side is found in BMW and Audi, which already have similar manufacturing plants and expansion plans. In fact, BMW plans an investment of 870 million for the construction of an electric battery production center at its San Luis Potosí plant. As electric batteries become critically important for companies' strategies, productive self-sufficiency, security and agility of supply are essential.

According to data from the Mexican Association of Private Industrial Parks, during 2023 nearshoring generated 30,000 million dollars in investments and 47 new industrial parks were built, among which is Microsoft's with the construction of its 63rd data center, located in the State of Querétaro.

For all this, companies are gradually replacing "Made in China" with "Made in Mexico". It is the "China+1" strategy, which means that foreign companies leave China, but not completely, but rather open new facilities in other parts of the world, increasingly choosing the Mexican market. Chinese companies themselves also choose it²², taking advantage of the advantages provided by the tariffs and simplified customs procedures of USMCA,

²² Although its presence in the Mexican market dates back to Donald Trump's imposition of tariffs in March 2018, when a 10% tariff on a list of 5,745 Chinese products valued at \$200 billion went into effect, a move that stoked the trade war between the two countries.

which establishes that a foreign company duly incorporated in Mexico has all the rights and privileges just like Mexican companies²³. USMCA includes significant improvements with new rules of origin for the automobile market, agriculture, the environment, investment, digital commerce, public procurement and intellectual property rights, among others. The Mexican economy, with the arrival of foreign companies – mostly American – has benefited from the creation of quality jobs, the expansion of the infrastructure network in terms of the supply of basic services such as public transportation and others, which clearly represent some of the most visible benefits²⁴.

Mexico, so far, is the most successful commercial example in the region. The proof is that it has become the first supplier to the United States, surpassing China, which had been the supplier for the last 15 years, and now occupies third place, with Canada being second. In 2023, Mexican exports reached 475,607 million dollars (they grew by 129,383 million dollars, that is, 16.4% and Chinese exports decreased by 21%).

It can be said then that nearshoring brings with it new opportunities that promote successful industrialization with greater productivity, which means gaining competitiveness and with it, growth in such hectic times full of uncertainty within the framework of President Trump's measures, characterized by his own protectionist policy of the unilateralism contained in "*America First*"²⁵. No one expected that the United States, champion of the spirit of free trade, would take such an abrupt turnaround from the dictates of President Trump during his first term, who used protectionism and tariffs as a deterrent weapon to achieve his goals.

In his second term, Trump, according to his program and statements, will intensify protectionism and use tariffs more intensively. The impact will depend on how burdensome they are, they may be 60% for imports from China and between 10%-20 % for the rest of the world, and 25% for Mexican and Canadian products, which would

²³ Cedillo Campos, Miguel Gastón; Pérez González, Carlos Mario and Martner Peyrelongue, Carlos Daniel (2024): "Consideraciones para fortalecer al sistema de transporte frente al nearshoring". Secretariat of Infrastructure, Communications and Transportation. Technical Publication No. 814, Querétaro, Mexico.

²⁴ The joint study between the Mexican Institute for Competitiveness and the Friedrich Nauman Foundation analyzes fifteen socioeconomic indicators related to the labor market, the availability of basic inputs, infrastructure and the regulatory framework in an effort to evaluate the level of preparation that has in each federal entity to take advantage of the opportunities generated by nearshoring. For more details, see: "*Nearshoring: oportunidad que desafía a las entidades mexicanas*". <https://imco.org.mx/nearshoring-oportunidad-que-desafia-a-las-entidades-mexicanas/>

²⁵ For more detail, see; Casilda Béjar, Ramón (2021): "*Capitalismo Next Generation*". Tirant Humanidades. Valencia.

immediately repeal USMCA. But everything is unknown, although we can predict that if they were applied, they would generate great difficulties for Mexico, given that 80% of its exports are destined for the United States. Although unknowns aside, a tariff war with Mexico would generate inflation for consumers in both countries and a disturbance in the integration of North American markets. And of course, it would affect the United States, which exports to Mexico in 2023 over 300,000 million dollars and its investments, which in the same year, were 144,000 million dollars. All this, leaving aside China, which will not attend all these movements undaunted, quite the contrary, it will play its cards to gain more power, presence and influence.

For its part, Costa Rica also benefits from nearshoring, being one of the destinations with the most potential in Latin America, taking advantage of its potential to produce intermediate goods, which require highly specialized knowledge. According to the report of the Latin American Center for Economic and Social Policies (in Spanish, CLAPES), of the Universidad Católica de Chile²⁶. The country is committed to nearshoring: a greater diversification of production with high added value, as is the case with microchips. Specifically, it has a direct line between San José and Silicon Valley, which allows it to emerge as a hotbed of “chips”, complemented by the adaptation to new technological sectors supported by American universities, which has made it a chosen destination, since it also has a geographical proximity to the United States that has allowed it to attract investments of over 4.5 billion dollars in 2024.

However, Trump's protectionist and unilateral trade policy will be very detrimental to small Central American economies²⁷, given that about a third of exports are directed to the US market.

According to Banco Interamericano de Desarrollo²⁸, the favorable perspectives offered by nearshoring in Ibero-America could be estimated at 78 billion dollars annually in additional exports of goods (64 billion) and services (14 billion) in the short and medium

²⁶ Larraín, Felipe y Cifuentes, Carmen (16-10-2024): “Nearshoring en América Latina: ¿Quiénes podrían beneficiarse más?”. *Americas Quarterly*. <https://www.americasquarterly.org/article/nearshoring-in-latin-america-who-could-benefit-most/>

²⁷ For more details, see; KPMG (enero, 2025): “*Perspectivas regionales y de negocio 2025. Centroamérica y República Dominicana. Innovación y liderazgo para el futuro*”. Panamá.

²⁸ The information was delivered to the high representatives of governments and companies who met during the IX Summit of the Americas 2022, to analyze options on how to take advantage of the opportunities that open up due to the relocation of supply chains, trade, change climate and the growing digitalization of the economy.

term, with important opportunities for the automotive, textile, pharmaceutical and energy industries. renewables, among others.

Conclusions

The phenomenon of globalization in the words of the former Secretary General of the United Nations, Kofi Annan, delivered at the World Economic Forum in Davos in 2004, is regaining relevance: *“globalization is a reality, but I think we have underestimated its fragility”*.

A fragility that has been evident since 2008, the United States, Europe and China perceive it as a threat to industries, technology leakage and national security²⁹. Aligning with this perception, companies are redesigning supply chains to make them more resilient, sustainable and flexible, using the new strategic trend of friendshoring and nearshoring.

The combination of both strategic trends represents new opportunities for Latin America. Consequently, governments facilitate their arrival and even more so if they are investments for new facilities (greenfield). Attracting them leads to more jobs, innovation and added value, that is, modern and advanced industrialization that demands jobs of higher quality and knowledge. This being the case of Mexico and Costa Rica, as we have realized.

So, it can be said that the combination of both strategies works very positively to promote industrialization and with it, artificial intelligence³⁰. This results in productive transformation, which, as in any other region of the world, is closely linked to the extraordinary increases in productivity and innovation in the goods and services themselves that a general-purpose technology such as AI materializes³¹, creator of new sources of work and increase in other occupations that require greater knowledge, the

²⁹ For more detail, see; Moreno, Luis and Pedreño, Andrés (2020): “Europe versus the United States and China. Preventing decline in the age of Artificial Intelligence.” www.prevenireldeclive.com

³⁰ It represents a magnificent opportunity to reduce the regional technological gap, being the essential lever for structural change in the economies. One example is the United States compared to Europe. Before the Great Recession, the size of the European economy was 10% larger than the U.S., but in 2022 it was 23% smaller. Now with the Trump Administration and policy changes in deregulation or increased R&D incentives, it will further accelerate AI deployment. For more detail, see; IIF (2024): Estevao, Marcello (2024): “The potential influence of AI on U.S. Productivity Growth”. <https://www.iif.com/Publications/Members-Only-Content>

³¹ AI is bursting onto the business scene as a key transformation tool. It optimizes operations and makes it possible to compete in a market increasingly dominated by immediacy and technological innovation.

effect of which causes the progress of the economy, and therefore justifies promoting friendshoring and nearshoring, as great facilitators of opportunities of the highest national interest.

Opportunities that Ibero-America must make the most of, associating them with productive strengthening, economic integration and intraregional trade, to be duly prepared for the sudden variations of the Trump Administration, whose protectionist policies will be applied, especially, using tariffs, especially taking into account Note that they have become a valid instrument for various objectives -such as immigration- depending on the interests of the United States, whose economy according to the IMF in "World Economic Outlook" (January, 2025), is in a better situation than previously forecast (October, 2024), with expected growth of 2.7% in 2025 and 2.1%, the highest among advanced economies.

Consequently, it is necessary for Latin America to move on from moderate growth which, although resilient, is not sufficient to significantly improve living standards and the convergence of GDP per capita with more advanced countries. The ECLAC report "Preliminary Overview of the Economies of Latin America and the Caribbean 2024" contains growth estimates for 2024 of 2.2%, and for 2025 of 2.4%, being the annual average during the decade 2015-2024 of 1%, which implies stagnation of GDP per capita during said period³².

However, in 2025, the main world powers such as the United States, China and the European Union will continue to focus their attention on Latin America. Regarding the European Union, it must immediately counteract the strong Chinese presence, taking advantage of the relevant presence of Spain as the first European investor and second in the world only behind the United States. If not, China would consolidate itself as the region's leading commercial and financial partner.

For Latin America, as well as for Mexico and Costa Rica, it is as important as it is urgent to successfully confront the mix of traditional challenges (inequality and poverty) and

³² For more details, see; Casilda Béjar, Ramón (febrero, 2024): *"La economía latinoamericana enfrentando el futuro: Dominando lo probable y gestionando lo impredecible"*. Boletín Económico de ICE, N° 3167, and; (mayo, 2024): *Prognosis de la economía latinoamericana y España como inversor estratégico*. Secretaria de Estado de Comercio. Gobierno de España. For additional information, see; Casilda Béjar, Ramón (2012): *"América Latina emergente: Economía, Desarrollo, Industrialización, Multilaterales, Geoeconomía"*. Editorial Universitaria Ramón Areces. Madrid.

structural challenges (business size, productivity³³ and innovation), which allow it to undo the Gordian knot that not only prevents vigorous and sustainable growth despite the progress made in previous decades, but also to be able to do so intelligently according to the parameters, needs and opportunities it offers the new globalization, and the new strategic trends of friendshoring and nearshoring.

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³³ The World Bank (2024) indicates that the region needs to increase its productivity by at least 2.5% annually to reach global competitive levels.