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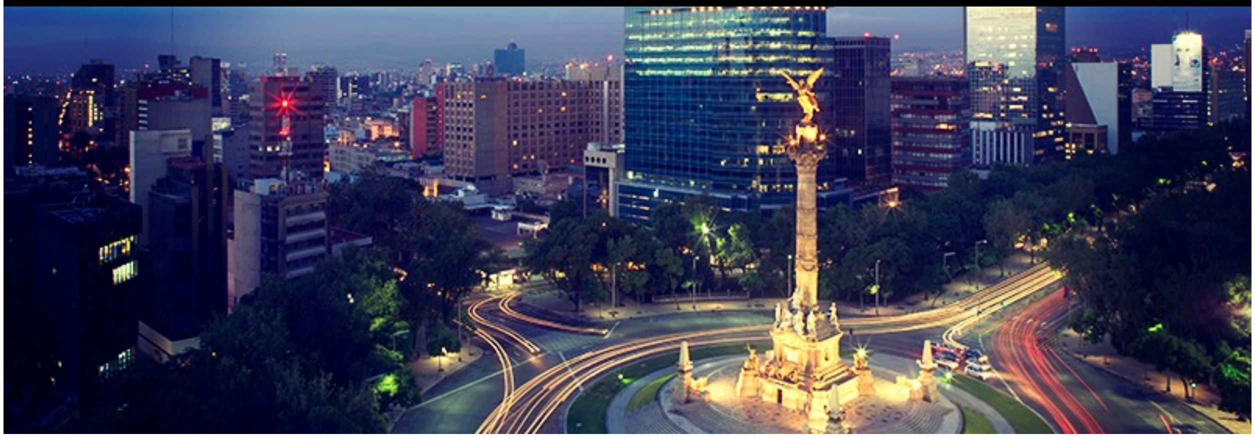

Monarch News

Mexico's Congress Approves Tariff Hikes on Non-FTA Imports

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Executive Summary

The reform to Mexico's General Import and Export Duty Law (LIGIE) was approved by the Chamber of Deputies on December 9 and by the Senate on December 10. The measure raises tariffs—up to 35% and, in some cases, 50%—on 1,463 products imported from countries with which Mexico does not have a free trade agreement, primarily affecting goods from China. The reform grants the administration legal and political backing to impose higher tariffs and represents a major policy shift with immediate implications for multiple industries.

Although the proposal was introduced in September as part of the Mexican President's overall budget package, its swift approval was unexpected, as it was originally postponed in committee, subjecting it procedurally to a delay of at least 45 days. Morena's decision to reactivate, fast-track, and pass the reform in early December has reintroduced uncertainty across affected sectors. This abrupt acceleration appears to align with U.S. pressure in the context of the USMCA review, particularly in industries sensitive to Chinese-origin imports such as textiles, steel, and automotive products. In this sense, the approved LIGIE reform may serve as a strategic bargaining instrument for Mexico in the upcoming USMCA negotiations.

Mexico's private sector, however, has expressed strong opposition, warning that the tariff hikes add further pressure on companies already navigating rising labor costs, forthcoming reductions in working hours, lower growth expectations, and recent logistics disruptions, including road and border blockades.

This Monarch News report provides an overview of the approved tariff increases, highlights the most affected sectors, and offers key takeaways.

Overview of the Approved Tariff Increases and Affected Sectors

Under Article 89 of Mexico's Constitution, Congress delegates authority to the Executive Branch to conduct foreign trade policy, including the power to regulate and modify tariffs. In this case, however, President Claudia Sheinbaum proposed the tariff increases through amendments to the General Import and Export Duty Law, which required congressional approval. This approach sought to legitimize the measure and underscore that it is neither arbitrary nor driven by U.S. pressure.

Through the approved reform, the Mexican government is exercising its constitutional authority to adjust tariffs with the objectives of supporting household purchasing power, protecting vulnerable industries, regulating used-vehicle imports, and fostering domestic development.

On the evening of December 10, the Senate approved new and higher tariffs on 1,463 products originating from China and other countries—primarily in Asia—with which Mexico does not have a free trade agreement. Following Senate approval, the reform has been sent to the Executive Branch for publication in the *Diario Oficial de la Federación* (DOF), Mexico's official federal register. While the decree has not yet been published, no substantive changes are expected relative to the version approved by Congress, and the tariff increases are slated to take effect on January 1, 2026.

The approved tariffs range from 0 to 50 percent and affect 16 sectors, including auto parts, textiles, plastics, steel, iron, aluminum, glass, and cosmetics. At present, the unweighted average tariff across affected products is 20.71%. The original proposed legislation would have raised this figure to 33.86%, but the approved LIGIE reform includes a lower 28.95% unweighted average rate. While heavy lobbying from the private sector was able to earn some relief on the size of the tariffs, industry was unable to persuade Congress to exclude a single product from the original list of 1,463.

The sectors most affected by the approved reform are iron and steel products (10%), apparel (woven and knitted, 17.4% combined), foundry manufacturing (9%), and cotton (6.9%), which together account for 43.3% of all affected tariff lines (see **Appendix 1** for a detailed sectoral breakdown and short-term implications). These sectors face steep tariff increases, with average approved rates now ranging between 31% and 34%, indicating a substantial rise in import costs. The changes will particularly impact supply chains dependent on metals, textiles, and cotton-based inputs, creating short-term pressures on sourcing and production planning.

By contrast, the HS codes associated with long-term productive capital—such as energy and basic chemicals, metals for electrification, and rail, air, and maritime transport—are excluded from the reform, as are most categories of heavy machinery, machine tools, industrial computing equipment, and hospital equipment.

Opposition parties warned that the tariff hikes will inevitably raise prices and harm consumers, while also emphasizing that this decision would signal that Mexico is "taking sides" with the United States.

President Sheinbaum has repeatedly reaffirmed that the measures will comply with international trade agreements, including WTO and FTA obligations, while pledging to maintain diplomatic channels with affected countries.

The measure must also be understood in the broader context of ongoing tariff negotiations with the United States and the 2026 USMCA review. Within U.S. political discourse, though not supported by evidence, Mexico is often portrayed as a platform for Chinese exports seeking to circumvent U.S. trade measures. The LIGIE reform clearly intends to strengthen Mexico's negotiating position with Washington, though whether this is the right time to secure maximum leverage remains uncertain.

Impact of the Tariff Hikes: Who Gains and Who Loses

- Consumers are likely to face higher prices, especially for durable goods (such as cars and electronics) and other imports. Lower-middle-income and poorer households will be disproportionately affected by rising prices.
- Maquiladora operations, which rely heavily on imported inputs, may face higher costs that reduce the price competitiveness of exports—especially to the U.S. market—potentially impacting orders and profit margins.
- Automotive firms dependent on imports (especially from China) will suffer. Companies such as Tesla and BYD are particularly exposed.
- Domestic and/or USMCA-region producers of cars, auto parts, textiles, steel, and other goods could benefit, especially if they can scale up and maintain quality. Success may require investment, access to capital, and in some cases tariff exemptions.
- Government revenue may increase through higher tariff collections, providing additional fiscal space—though this will depend on effective enforcement and whether higher duties significantly reduce import volumes.
- Inflation and monetary policy could be affected if higher import costs feed into prices, potentially placing pressure on the central bank to raise rates, which could dampen growth in other sectors.
- Trade relationships might shift: Mexico may seek to forge new or deeper trade agreements to offset the impact on countries subject to higher tariffs. At the same time, there is risk of retaliation or strained relations with China, South Korea, India, Indonesia, Thailand, and Turkey (key countries without an agreement with Mexico).

Key Takeaways

Companies should closely review their tariff classifications and valuation guidelines to ensure full compliance under the revised framework. Higher tariffs on goods from non-FTA countries will increase costs and may require adjustments to supply chain strategies, particularly in the automotive, manufacturing, and textile sectors.

For multinational firms, Mexico remains strategically important due to its extensive free trade network and proximity to the U.S. market. Successfully navigating the evolving tariff regime, however, is essential to maintain competitiveness, optimize cost structures, and ensure regulatory compliance.

Foreign companies should evaluate potential pricing impacts, explore local sourcing options, and monitor legislative developments to anticipate risks and opportunities. In particular, it is important to identify critical items that are sourced outside of North America.

Overall, Mexico's tariff strategy reflects an effort to balance domestic industrial protection with international trade obligations. Foreign companies must adapt quickly to mitigate risks while leveraging Mexico's position as a manufacturing and trade hub.

Monarch can help assess how these modifications will affect import and export operations. Additionally, our firm is well-positioned to assist companies by assessing the impact of higher duties on operations and proposing alternatives to lower their exposure to the tariffs.

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Appendix 1

Tariff Increases by Sector

HTS-2	Sector	Tariff Lines (Number)	Share (%)	Current Tariff (Range, %)	Original Proposal (Range, %)	Approved LIGIE (Range, %)	Current Tariff (Unweighted Average, %)	Original Proposal (Unweighted Average, %)	Approved LIGIE (Unweighted Average, %)
Total	**Total**	**1,463**	**100**	**0 to 50**	**0 to 50**	**0 to 50**	**20.71**	**33.86**	**28.95**
72	Iron and steel foundry products	146	10.0	0 to 50	0 to 50	0 to 50	27.45	33.86	34.17
62	Apparel (except knitted/crocheted)	141	9.6	20 to 35	35 to 50	25 to 45	28.94	35.21	31.11
73	Manufacturing of foundry products	131	9.0	0 to 35	10 to 35	0 to 35	27.68	31.42	34.54
61	Apparel (knitted/crocheted)	114	7.8	20 to 35	35 to 50	25 to 45	29.39	35	31.32
52	Cotton	101	6.9	0 to 35	10 to 35	0 to 35	31.56	34.5	30.88
39	Plastics and plastic articles	79	5.4	0 to 35	10 to 35	0 to 35	17.15	32.24	16.25
55	Synthetic staple fibers	75	5.1	0 to 25	10 to 35	0 to 35	18.06	33.59	18.93
87	Vehicles and auto parts	58	4.0	0 to 50	5 to 35	0 to 35	11.43	15	13.45
63	Made-up textile articles	53	3.6	0 to 35	10 to 35	0 to 35	20.75	34.91	22.94
54	Synthetic filament yarn	52	3.6	0 to 25	10 to 35	0 to 35	18.85	34.49	18.69
48	Paper and paperboard	49	3.3	0 to 35	10 to 35	0 to 35	15.87	33.84	16.15
64	Footwear	49	3.3	0 to 30	10 to 35	0 to 35	17.95	34.9	18.92
60	Knitted or crocheted fabrics	43	2.9	0 to 35	10 to 35	0 to 35	22.09	34.26	24.19
76	Aluminum and manufactures	38	2.6	0 to 20	5 to 35	0 to 35	7.26	25	10.65
56	Wadding, felt, nonwovens, cords, ropes	35	2.4	0 to 20	10 to 35	0 to 35	11.43	34.96	17.06
95	Toys and sports equipment	30	2.1	0 to 20	15 to 35	0 to 35	14.57	33.8	26.67
94	Furniture and miscellaneous articles	30	2.1	0 to 35	35	25	18.89	35	27.67
59	Technical textiles	28	1.9	0 to 30	10 to 35	14 to 35	10	33.93	24.21
70	Glass and glassware	26	1.8	0 to 30	10 to 35	0 to 35	15.31	34.62	17.77
84	Mechanical machinery	26	1.8	0 to 35	5 to 35	5 to 35	10.73	30.85	12.96
51	Wool and fine animal hair	26	1.8	0 to 20	10 to 35	0 to 35	16	35	22
58	Special woven fabrics	22	1.5	0 to 35	10 to 35	0 to 35	19.2	34.4	23.2
33	Perfumery and cosmetics	20	1.4	0 to 20	15 to 35	10 to 35	10.5	35	25
57	Carpets and textile floor coverings	19	1.3	0 to 20	10 to 35	0 to 35	12	35	20
42	Leather articles	18	1.2	0 to 20	35	25	10	35	25
85	Electrical equipment	17	1.2	0 to 50	0 to 50	25 to 35	12.22	35	26.47
53	Vegetable fibers	10	0.7	0 to 10	0 to 35	25 to 30	10	35	25.5
40	Rubber and rubber products	7	0.5	0 to 35	0 to 35	25 to 35	20	35	30.71
50	Silk	5	0.3	0	0 to 35	10	0	35	25
34	Soaps and cleaning products	4	0.3	10 to 15	35	35	13.75	35	35
96	Miscellaneous manufactures	4	0.3	0 to 20	0 to 35	25	11.67	35	32.5
69	Ceramic products	3	0.2	25 to 35	35	30 to 35	31.67	35	33.33
83	Metal manufactures	2	0.1	0	15	15	15	35	15
90	Precision instruments	2	0.1	0	10 to 35	10 to 25	0	22.5	17.5

Source: MGS analysis based on information from the Mexican Senate

LIGIE = General Import and Export Duty Law

Short-Term Implications by Sector

HTS-2	Sector	Short-Term Implications
Total	Total	Higher average tariffs would broadly increase import costs and pressure margins across most sectors.
72	Iron and steel foundry products	Potential cost increases may affect downstream industries such as automotive, machinery, and construction.
62	Apparel (except knitted/crocheted)	Sharp tariff hikes could raise sourcing costs and shift production strategies toward tariff-preferred regions.
73	Manufacturing of foundry products	Rising tariffs may increase production costs for metalworking and industrial inputs.
61	Apparel (knitted/crocheted)	Higher duties threaten retail pricing and competitiveness for imported apparel goods.
52	Cotton	Increased tariffs could raise costs for textile manufacturers and apparel supply chains.
39	Plastics and plastic articles	Significant tariff increases may affect packaging, automotive components, and industrial plastics sourcing.
55	Synthetic staple fibers	Higher duties could increase costs for fiber-based textiles and nonwovens manufacturing.
87	Vehicles and auto parts	Moderate tariff increases may affect component sourcing and assembly-line cost structures.
63	Made-up textile articles	Rising tariffs could impact home goods and industrial textile imports.
54	Synthetic filament yarn	Higher input costs may pressure textile supply chains dependent on man-made fibers.
48	Paper and paperboard	Increased duties may raise packaging and hygiene-product manufacturing costs.
64	Footwear	Higher tariffs may raise retail prices and reduce competitiveness of imported footwear.
60	Knitted or crocheted fabrics	Tariff increases could elevate costs for apparel producers relying on imported fabrics.
76	Aluminum and manufactures	Tariff hikes may affect costs in beverage, automotive, and construction product lines.
56	Wadding, felt, nonwovens, cords, ropes	Higher duties may affect PPE, filtration materials, and industrial textile costs.
95	Toys and sports equipment	Tariff increases could raise consumer prices and narrow retail margins.
94	Furniture and miscellaneous articles	Higher duties may significantly impact furniture imports and consumer pricing.
59	Technical textiles	Rising tariffs could disrupt supply chains for automotive, aerospace, and industrial applications.
70	Glass and glassware	Increased duties may raise costs for building materials, packaging, and tableware imports.
84	Mechanical machinery	Tariff increases could affect industrial investment and equipment modernization costs.
51	Wool and fine animal hair	Higher tariffs may impact specialty textile and luxury apparel manufacturing.
58	Special woven fabrics	Increased duties could disrupt sourcing for advanced fabrics used in technical sectors.
33	Perfumery and cosmetics	Rising tariffs may pressure pricing strategies for personal-care products.
57	Carpets and textile floor coverings	Higher duties could increase costs for residential and commercial flooring projects.
42	Leather articles	Tariff increases may raise costs for footwear, apparel, and accessory manufacturers.
85	Electrical equipment	Significant cost increases expected, as tariffs jump into the 25–35% range; likely to raise production costs and slow equipment upgrades.
53	Vegetable fibers	Tariff increases will raise input costs for textiles and specialty products, affecting low-margin segments first.
40	Rubber and rubber products	Higher tariffs will increase costs for automotive and manufacturing supply chains dependent on rubber components.
50	Silk	Tariff rise may elevate costs for luxury textiles, with limited substitution options.
34	Soaps and cleaning products	Tariffs rising will directly increase consumer-goods import costs and affect pricing in retail and hospitality supply chains.
96	Miscellaneous manufactures	Broad products in this category will face higher import costs (25%), tightening margins for firms relying on low-value intermediate goods.
69	Ceramic products	Elevated tariffs (30–35%) will raise costs for construction materials and household goods, potentially passing increases to consumers.
83	Metal manufactures	Mixed impact: some items remain at lower rates (15%), but tariff increases where applicable may pressure industrial users' input costs.
90	Precision instruments	Tariffs increasing to 10–25% may raise costs for high-precision equipment, affecting medical, scientific, and industrial applications.

Source: MGS analysis based on information from the Mexican Senate

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