

# CHAPTER I

## INTRODUCTION

### 1.1 Background

Mexico has a strategic position geographically, as a country that borders the United States, which is the largest economy in the world today. This has a major impact on the foreign policy measures taken by Mexico. The turmoil of the US-China geopolitical situation has caused several shifts and changes in global conditions that have led to an uncertain economic situation (Saleh, 2023). Many industries in China that originated from US investments have shifted their factories to other countries as a result of policies implemented by the US against banning some industries built in China. In addition, this large capital flow movement was responded by several countries that have the potential to become the location of the relocation of factories in the industrial sector originating from America, one of which is Mexico.

Mexico has been a strategic partner of the USA since the year with the start of a series of bilateral agreements that became a forum for the entry of various Foreign Direct Investment schemes in Mexico. Bussy and Zheng (2023) explain that this initiation began with the North American Free Trade Agreement (NAFTA) which became the entrance to the Foreign Direct Investment policy in Mexico. Gladstone et al (2021) describe these aspects including several sectors affected by this NAFTA policy, namely the agricultural sector, the automobile industry, and the financial sector, besides Mexico's openness in the integration of several other economic cooperation is an indication that causes an increase in the flow of incoming Foreign Direct Investment.

Mexico's efforts to increase foreign direct investment have been strategic and multifaceted. One of the key strategies has been the implementation of economic reforms aimed at improving the business environment and reducing barriers to entry for foreign investors. Additionally, the government has actively pursued trade agreements with various countries to expand market access and attract FDI. Another important aspect of Mexico's geopolitical policy has been the promotion of infrastructure development and modernization to make the country more attractive to foreign investors. These initiatives are crucial in positioning Mexico as a competitive destination for FDI and fostering economic growth.

## **1.2 Problem Statement**

The aspect of Mexico's location is considered to be in a strategic location and plays its role by building constructive relations between the USA-China as a global economic power that provides great support in increasing foreign direct investment into Mexico. This is considered to be one of the countries in the Latin American region that has increased economic growth and foreign capital flows into Mexico. Identification of this condition is considered to be one of the references in building a constructive Mexican geopolitical strategy used in guaranteeing other countries to invest in Mexico.

Mexico is considered to be one of the countries in the Latin American region that is successful in increasing the flow of incoming foreign capital used in various development instruments and the growth of new industries that have an impact on improving the economy of the community. Based on the above description, there are several questions that can be used as a reference in conducting research as follows:

1. What mechanisms and strategies employed by Mexico led to the surge in foreign direct investment (FDI) flows into the country?
2. How scenarios and planning mechanisms were undertaken by Mexico in increasing foreign direct investment?

Based on the background and formulation of the problem, the selection of research conducted is entitled “CONSTRUCTION OF MEXICO’S GEOPOLITICAL POLICY IN STRENGTHENING THE IMPLEMENTATION OF FOREIGN DIRECT INVESTMENT IN MEXICO”

### **1.3 Objectives of The Study**

This research was conducted to identify:

1. Looking at the international framework of FDI policy in Mexico
2. The effect of FDI in increasing economic growth in Mexico.

### **1.4 Research Benefits**

The benefits of this research are explained as follows:

1. Development of business and marketing strategies carried out by the company in building expansion lines and businesses into the global market.
2. As a reference or recommendation in consideration in expanding business and adjusting products that are accepted by the global market.
3. Development of research, information, and references in conducting research development in the field of marketing strategies of companies.