

# Challenges and Strategies of Chinese New Energy Vehicles in the Latin American Market: A Case Study of BYD

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**Abstract:** Decarbonisation around the world has led to the global shift in China's new-energy-vehicle industry to go international. This paper will study the development of BYD in Latin America and Mexico. Based on the case study method, it has been found that policy support and the demand for urban electrification create opportunities. It also investigates other problems, such as local production rules, cultural differences between China and Mexico, stricter environmental regulations, etc. BYD's Answers to the problems will be introduced in detail. The main result is that to achieve long-term success in the new areas, one must know the local institutions and culture well and genuinely strive to become a member of the local ecosystem. Based on this, three recommendations are put forward: build local cooperation, develop products in line with local requirements, and keep communication open.

**Keywords:** new energy vehicles, Latin America, BYD, localization, Mexico

## 1. Introduction

China's New Energy Vehicle Industry has been successful around the world. Wang and Liao (2023) have pointed out that the country's industrial policy has gradually shifted to a functional direction to boost the competitiveness of industries [1]. Qin and Xiong (2022) have found that non-financial policies are also favourable to promoting the high-quality innovation of new energy vehicle enterprises in China in the same way, such as market-entry regulations and the dual-credit system [2].

Latin America has many clean energy resources and a clear electrification plan; it is a good place. BYD has moved beyond the export of automobiles and established a local manufacturing base; it is now a typical case study of China's enterprises venturing abroad and facing different circumstances.

Why choose Mexico from the list of all Latin American countries? Mexico has three characteristics: it is adjacent to the United States, it is a member of USMCA, and it has looked ahead in its electromobility policies [3]. As the top car manufacturer in the region and a gateway to North America, Mexico offers us a different perspective on the internationalization of Chinese NEVs. BYD is a typical representative Chinese company; it is leading the world in sales and has built an entire industrial chain vertically, rapidly expanding abroad, and plans to construct factories in Mexico and Brazil.

Most of the current studies treat Latin America as a whole area and do not consider Mexico to be a crucial connection point. This paper will focus on BYD in Mexico and study the problems of deep localization and how the company has addressed them.

## 2. Research Background and Theoretical Framework

### 2.1 Energy Transition and the Latin American Market

The race to decarbonisation of the world's economy has made the new energy vehicle industry one of the main fronts for industrial powers. According to the International Energy Agency's Global EV Outlook 2023, the world had surpassed 10 million sales of electric vehicles in 2022. That is a 55% increase from last year, and it will account for about 14% of all new cars in the world.

Latin America is now also developing a new wave in this area. According to a report, the number of electric vehicle sales there rose from about 1,300 in 2016 to 40,654 in 2022, with an average annual increase of 77.5% [4]. Still, fewer than 5 per cent of the vehicles on the road in Latin America are new energy vehicles. That is far behind China's 25.6% and Europe's 22.3%, so there will be plenty of room for expansion in the future.

Many Latin American governments have made the development of new energy vehicles a national goal in their policies. Mexico, Colombia and Chile have each put forward their own national electric mobility plans and established specific goals. Mexico has set a goal to achieve 50% zero-emission light and medium vehicle sales by 2030 and 100% by 2040 [3]. Tax incentives, reduction in import tariffs and elimination of circulation taxes are some of the measures taken by these countries.

At the same time, with the rise of left-wing governments across the region, there has been an opening for closer political cooperation with China in the field of clean energy. Jiang and Xu (2024) indicate that there has been an increase in political ties and cooperation between the two sides [4].

## **2.2 Theories of Globalization and Localization**

Globalization in foreign trade is to maintain the stability of trade and make changes in light of new circumstances abroad. Successful cross-border management is not a copy of what works at home. Adjustments will be made in light of the market and culture of the host country, but the main advantages will be retained.

The Springboard Theory can be applied to firms in the developing country. Luo and Tung (2007) believe that these companies are using the opportunity of overseas expansion to acquire necessary resources and thus strengthen their competitiveness with foreign enterprises. This can help us learn why BYD is using Mexico as a base to enter the North American market and what advantages it will gain through trade agreements and proximity. Therefore, this paper will use the regional platform and make adjustments according to local conditions at the same time.

## **3. Analysis of Mexico as a Target Market**

### **3.1 Policy Environment**

Mexico is now more Chinese NEV exports than all other Latin American countries. According to the data in 2024, China exported 80,552 new energy vehicles to Mexico [3]. However, there are two sides to the policy picture. On the other hand, there are also tax reductions and charging subsidies by the government. Mexico has set the goal of achieving zero-emission vehicles in the National Electric Mobility Strategy in June 2023.

Mexico wants to promote the development of the domestic automobile industry and, as such, has strengthened import regulations. Starting in 2025, the tariff on Chinese cars will rise from 20% to 50%, and companies will be forced to increase local production [3]. As a result, many countries in Latin America are no longer just importers but wish to promote domestic production of some products. Through the lens of the springboard, these pressures are actually to take off and enter the North American market.

### **3.2 Local Market Environment**

Mexico's NEV market is growing. With a good location and the development of the automobile industry, it has been one of the top areas in the world for car production and auto components. BMW, Audi, Tesla and BYD have all built factories in China [3]. Mexico has good industrial strength and, with the help of 14 free trade agreements covering about 50 countries, is in a favorable position in the world's auto parts supply chain.

What is popular in Mexico? Plug-in Hybrids. According to industry data in 2025, of the 130,451 units BYD exported to Mexico, approximately 75,940 were plug-in hybrid vehicles and about 54,511 were pure electric vehicles. Why the choice? There are not many charging stations, and people have to drive far. Hybrids are more general [4]. Mexico is also one of the new bases that Chinese car companies will establish for the supply chain of North America under the U.S. The Inflation Reduction Act will raise the local content rules gradually.

### **3.3 Opportunities for BYD**

BYD sees many good reasons for entering Mexico. First of all, by producing locally in accordance with USMCA rules, the company will avoid high US tariffs, enter the North American market duty-free, and meet the strict origin requirements of the Inflation Reduction Act. This is the Springboard Theory in action; BYD uses Mexico as a base to enter the US market and take advantage of regional cooperation.

Second, there is a large market to develop. BYD will sell 40,000 cars in Mexico in 2024 and is expected to reach 80,000 by 2025 [3]. Thirdly, the company has joined forces with local banks, such as BBVA Mexico, to provide flexible loan terms and increase the number of borrowers. Jiang and Xu (2024) have added that 21 Latin American countries have joined the Belt and Road Initiative, and it has now become a major platform for energy cooperation between China and Latin America [5].

## **4. Challenges for BYD in the Latin American Market**

### **4.1 Ecological Conflicts**

BYD is seeking to go local and, at the same time, is under pressure from resource nationalism and ESG standards. Left-leaning governments in the area have been increasing their control over lithium. On August 2022, Mexico's nationalised lithium company LitioMx was established by the government. Bolivia, Chile and Argentina are moving towards the idea of

a “lithium OPEC” to stabilise prices [7]. All of the above make things much less certain for Chinese companies. BYD is the main enterprise in the regional value chain of lithium in China, and it uses this key material for batteries. Nationalisation and producer cartels would result in export restrictions, higher prices or an increase in demand for local production, and all of these would reduce BYD’s profits and supply security.

At the same time, the environment-protection regulations in the area are also becoming stricter. The extraction of lithium from salt flats in the Atacama and Jujuy regions requires a large amount of water and causes social conflict due to damage to the environment and livelihood of indigenous people. Therefore, BYD needs to go further than just meet the regulations. It also needs to actively build a good relationship with the local community. To do well in society now, one must secure the public's support.

## **4.2 Market, Service, and Local Management Challenges**

One major weakness for BYD in Latin America is low brand recognition. Even though BYD leads global NEV sales, Latin American consumers do not yet see it the same way they see traditional giants like Toyota, Volkswagen, or Ford. Studies suggest Chinese brands are often unfairly dismissed as “low quality”—a stereotype that goes back to the days when cheap Chinese products first entered these markets. Breaking that perception takes more than good products. It requires steady investment in advertising, public relations, and making sure customers have positive experiences.

Poor after-sales service is another serious problem. Charging infrastructure across the region is very underdeveloped. In Brazil, the ratio of vehicles to chargers is 14 to 1; in Mexico, it is 10 to 1 [4]. Charging points are scarce and mostly in cities, which gives potential buyers “range anxiety.” They worry about running out of battery on a long trip or in a rural area. On top of that, local distributors and repair shops lack the specialized knowledge needed to work on NEV “three electrics” systems—battery, motor, and electronic control.

Politics adds another layer of complexity. Jiang and Xu (2024) observe that the region’s shift toward left-leaning governments has generally helped clean energy cooperation with China [5]. But that same political shift comes with risks. Lu (2023) points to Mexico’s lithium nationalization in 2022 as an example of resource nationalism that can directly threaten foreign investors’ supply chains [7]. The political “pendulum effect”—policies swinging back and forth between administrations—creates long-term uncertainty for anyone planning investments.

## **5. BYD’s Adaptation and Response Strategies**

### **5.1 Responses to Ecological Conflicts**

BYD has added locally produced cars to help resolve the problem of ecological conflict. In 2024, the company announced the construction of a large-scale factory in Nuevo Leon, Mexico, which would have an annual production capacity of 150,000 cars [3]. BYD established a new production base in Camaçari, Brazil, and invested 3 billion Brazilian reais in it. Local workers make up more than 80 per cent of the staff there, and the factory has employed over 1,500 people [8]. Localization will help BYD bypass the tariff wall and also create jobs and tax revenue in the host country; thus, it is socially acceptable. BYD is also doing some ESG work, such as building green factories and taking part in local environmental protection projects to earn the public’s support.

### **5.2 Responses to Operational and Cultural Challenges**

BYD’s way can be divided into three parts. First of all, the company’s branding is different. High-end products, such as the electric pickup SHARK, have been introduced to reduce the common perception that Chinese brands are of “low price and low quality” [3].

Secondly, BYD has joined forces with charging service companies EZVolt and Tupi Mobilidade to construct its own network of “BYD Charging”. Now it has over 450 stations and will help address the problem of range anxiety that currently restricts more people from purchasing an electric vehicle.

Thirdly, there are cross-cultural management activities and language courses at BYD. It also has a mentor system that trains the Brazilian employees. It can also pass on technology knowledge and help build a more open company culture [8]. BYD has also established cooperation with local distributors in Mexico and arranged technical training for the local staff.

### **5.3 Case Synthesis**

Based on the above theoretical framework, BYD’s strategy is in line with the ideas of globalization and springboards. The company is still at the forefront of core technologies in areas such as batteries, motors and electronic control systems; according to different circumstances in different countries, product lines are adjusted, for example, a flexible-fuel plug-in hybrid for Brazil has been introduced. At the same time, it will use Mexico as a base to avoid tariffs and enter the North

American market; this is in line with the Springboard logic [6].

## 6. Conclusion

The problems and countermeasures of BYD in Latin America have been investigated in this paper, focusing on Mexico. The reasons for weak localization are ecological conflicts, operational problems and cultural differences. BYD has introduced a combination of local production, ESG, brand construction and cross-cultural management.

In terms of theory, the results have demonstrated the application value of springboard theory in the developing country [6]. They also add to what we already know about the development of the NEV market in Latin America [3][4]. The previous studies were generally in the form of whole-region analyses; now, they have broken down the specific reasons why Mexico is important to the world. Based on the above list, at present, the top three priorities of Chinese enterprises are to build an independent industrial cluster, integrate foreign technology norms with local conditions, and establish a corresponding risk supervision platform due to the unstable political environment.

A few limitations exist here. We only looked at one company (BYD) and one country (Mexico). The company's internal data was also not available. So it is hard to generalize. Later on, more cases or cross-country comparisons could be added.

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