

North America: Leading in an uncertain world

The North American Leaders' Summits (NALS) offer opportunities to solve common challenges and create new opportunities for long-term prosperity and well-being. The 2023 NALS is particularly relevant this year in the face of the complex global economic landscape characterized by the realignment and reshuffling of trade and capital flows, as well as the continual emergence of innovative ideas that create new ways of doing business.

The relationship between Canada, Mexico and the United States goes far beyond the three governments; our populations are families, often divided by distance, that remain united in their desire to build a better future. While the political focus is most often directed to pressing issues such as immigration and security, we would like to highlight other important issues that should be kept in mind, as well as the key components of the economic and political relationship.



Technology

Today Mexico does not have a clear strategy with respect to the multiple technological advances that are becoming increasingly relevant for the global economy. Mexico should promote more collaboration with its key trading partners in North America on these issues to avoid a loss of competitiveness. We should encourage innovation through regulation that establishes clear rules and protects human rights, but avoid crushing innovation under a brick of bureaucracy. Below are some important considerations:

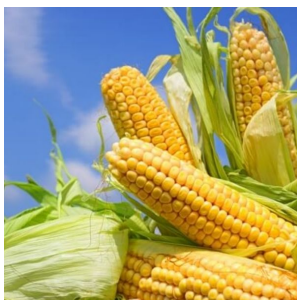
- The U.S.' decision to promote **the nearshoring of chip production** represents an opportunity for the region and for Mexico in particular. Mexico's comparative advantage in manufacturing must be actively promoted.

- There is a bilateral working group between the U.S. and Mexico that in August 2022 began reviewing cooperation on **cybersecurity issues**, but Canada needs to be brought on board, and a regional strategy adopted.
- Collaboration on issues related to the development of **Artificial Intelligence (AI), blockchain use and other tech and entertainment trends, such as the metaverse**, are important areas for collaboration that will fortify the foundations for regional competitiveness.

Electromobility

The transition to electromobility is necessary as a strategy to reduce the carbon footprint of our economies. The electrification of transportation is advancing faster in Europe and China (the adoption rate is between 20% and 25%) than in North America (the adoption rate in the US and Canada is between 5-7% and in Mexico around 2%). It will be critical to boost the production of electric vehicles - an opportunity for Mexico given its comparative advantage in manufacturing - and the creation of the necessary charging infrastructure to facilitate the transition.

North American Food Security and agro-trade



North America has the potential to become an example of agricultural system integration, which will be key to addressing future food crises exacerbated by climate change, population growth, and geopolitical events like Russia's invasion of Ukraine. In addition to the fact that Mexican seasonal workers are crucial to production in the U.S. and Canada, all three countries depend on each other to meet their needs:

- Mexico is the largest importer of corn in the world (specifically, yellow corn used as feed) and the U.S. supplies 92% of Mexico's corn imports.
- Mexico supplies 77% of the fresh vegetables imported by the U.S. and 11% to Canada.¹
- Mexico supplies 49% of U.S. fruit imports.²
- The U.S. is the largest supplier of agricultural products to Canada, with 58%, and Mexico is the second largest with 7%.³

Healthcare

North American families are split between Mexico and the U.S. -and increasingly Canada - which has implications for our health and social security systems, as well as for the retirement of our populations. **We must explore how to ensure that it is possible to use healthcare and social security systems interchangeably among the three countries.**

¹ 2020 data by the US Department of Agriculture.

² Huang et al., The U.S. Fresh Fruit and Vegetable Industry: An Overview of Production and Trade, *Agriculture*, 2022 12(10), 1719

³ Foreign Agricultural Service, US Department of Agriculture.

The recent global pandemic underscores the importance of establishing a crisis management strategy at the regional level; diseases know no borders. Mexico, the U.S. and Canada have the potential to improve coordination and information sharing. The North American Animal and Pandemic Influenza Plan (NAPAPI) is a good model to start from.

Culture and sports

Beyond the economic spillover, the 2026 World Cup offers a golden opportunity to define who we are as a region.

While our cultures are increasingly aligned - soccer is now a very popular sport in the U.S., we increasingly share culinary traditions among the three countries, and the U.S. has the second largest Spanish-speaking population in the world - it is not easy to argue that there is an easily recognizable North American identity.

For that very reason, the World Cup will allow us to consolidate a sense of belonging among our three populations and show the world our personality and strength.

To do so, we must start planning now. It will be crucial to use creativity to achieve our goals and this is a task that will require the active participation of business and civil society.

The engine of the global economy

The North American region accounts for one-third of global GDP, an impressive figure that underscores the importance of our economies. The USMCA provides the rules and institutions that have been the basis for regional growth over the past 25 years, continually boosting North American competitiveness.

North America's GDP doubled in the last 10 years, and from January to October 2022, \$3 million dollars in trade per minute were recorded between the three partners.⁴ Canada and Mexico are the U.S.' most important trading partners and the joint volume of trade is double the volume of trade between the U.S. and China.



⁴ USMCA Insights. The Brookings Institution. 2022.

https://connect.brookings.edu/us-corn-exports-to-mexico-north-american-leaders-summit-and-more?ecid=ACsprvt68wVwW4aANWqeENjaCk7ZAtOMA7wpGNJht71wTxwYFrrM44q25qEn4F-WzL0IVOLx3GSw&utm_campaign=brookings-comm&utm_medium=email&utm_content=237636872&utm_source=hs_email

A pragmatic approach to migration: The forces of supply and demand

Despite the formidable migration challenges, the great potential of the daily flows of people crossing the borders between Mexico, the U.S. and Canada often goes unnoticed. The mobility of temporary workers, business people, tourists and families accelerates the integration of the three economies and should be seen as an asset for competitiveness.

A key challenge in this regard is the integration of standards for workforce development in sectors where skills gaps exist, such as renewable energy and the automotive industry.⁵ New phenomena, such as the growth of digital nomads, could be better harnessed for social development in all three countries if the right policies are put in place.

Co-creating the energy future

Cooperation on energy and climate change represents one of our greatest challenges but also the greatest opportunity to build a more competitive, resilient and prosperous region.

First, there is an opportunity to create an energy integration strategy for North America, harnessing the potential for solar and wind power generation, as well as the rising development of other technologies, such as energy storage, green hydrogen and carbon capture.



Natural gas should be seen as a key component in meeting the dual goals of accelerating the energy transition in North America and strengthening efficient integration leading to energy security for all three countries. Further, there is great potential to position the region as an export platform for Liquefied Natural Gas (LNG).

⁵ Earl Anthony Wayne y Sergio Alcocer. "Successful Workforce Development Is Vital for a Competitive and Prosperous North America". Mayo de 2021. Disponible en https://www.wilsoncenter.org/sites/default/files/media/uploads/documents/Successful%20Workforce%20Development%20Is%20Vital%20for%20a%20Competitive%20and%20Prosperous%20North%20America_0.pdf



The three partners have also begun to identify common interests for the development of regional value chains to extract and process critical energy transition minerals, such as lithium. With an expected investment of US\$48 billion, Plan Sonora is a project that, if successfully implemented, could support progress in these two areas.

Although strictly speaking climate change is not included in the environmental chapter of the USMCA, or the 2018 Agreement on Environmental Cooperation, it is a major area of focus for the trilateral relationship. The trilateral climate goals agreed to in 2018 need to be updated, including achieving 50% clean electricity generation by 2025 in North America and the commitment to reduce oil & gas industry methane gas emissions (a pollutant up to 80 times more potent than carbon dioxide) from 40% to 45% by 2025. The new North American Commitment on Methane and Black Carbon, announced in 2021, represents an opportunity for the three countries to define clear quantifiable targets together. The reduction and capture of methane gas emissions in the oil and gas sector represents an opportunity for Mexico in particular to strengthen its energy efficiency and security objectives.

The North American partners must recognize that the increased frequency and intensity of droughts, winter storms and hurricanes is a common challenge, with high costs in human lives, infrastructure damage and economic losses. Further, the three countries could implement water management strategies to reduce vulnerability in periods of drought and cooperative schemes that include nature-based solutions.

Empowering 51% of the population

A just and prosperous future is only possible when women - half and in some countries, such as Mexico, the majority of the population - can fully develop their potential without fear. In the Americas, we have been too slow to create public policies that support families and women so that they can be full citizens, students and workers. North America should invest in the lives of girls and women because it is the right thing to do and because it is

the smart thing to do. McKinsey estimates that empowering women globally would increase GDP by \$28 trillion.⁶

Democracy is development⁷

Finally, North American governments should prioritize strengthening our democracies, and our citizens need to be vigilant and ensure this happens. Globally, we have witnessed the rise of extreme political forces, leading to instability for democratic societies. Recently, both the U.S. and Mexico have faced challenges in defending their democratic institutions.

The continued strengthening of democratic institutions and the protection of free expression should be fundamental objectives of the region. Commitments to freedom of the press - and, in Mexico, the protection of the lives of journalists - as well as respect for the activities of civil society organizations, are factors that contribute to shared well-being and result in more just societies. We cannot turn our backs on democracy, and we must do everything possible to build more democratic and transparent societies that will result in political stability and well-being for our region.



⁶ McKinsey Classics: The price of gender inequality, September 2020.

⁷ This phrase was originally coined by Amartya Sen in his book *Freedom As Development*.