

THE BROOKINGS INSTITUTION  
WEBINAR

USMCA: BUILDING A MORE COMPETITIVE, INCLUSIVE,  
AND SUSTAINABLE NORTH AMERICAN ECONOMY

Washington, D.C.  
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**Welcome:**

BRAHIMA S. COULIBALY  
Vice President and Director, Global Economy and Development  
The Brookings Institution

**Remarks:**

MARY NG  
Minister of International Trade, Export Promotion, Small Business and  
Economic Development, Canada

**Moderator:**

JOSHUA P. MELTZER  
Senior Fellow, Global Economy and Development  
The Brookings Institution

**Remarks on Brookings USMCA Initiative:**

JOHN R. ALLEN  
President, The Brookings Institution

PAUL DESMARAIS JR.  
Chairman, Power Corporation of Canada  
Trustee, The Brookings Institution

PABLO ROBERTO GONZALEZ GUAJARDO  
Chief Executive Officer, Kimberly-Clark de Mexico SA

**Panel Discussion:**

EDWARD ALDEN  
Bernard L. Schwartz Senior Fellow, Council on Foreign Relations

VIC FEDELI  
Minister of Economic Development, Job Creation and Trade, Ontario, Canada

SANTIAGO LEVY  
Nonresident Senior Fellow, Global Economy and Development  
The Brookings Institution  
President, Latin American and Caribbean Economic Association

LUZ MARIA DE LA MORA  
Undersecretary of the Economy, Mexico

JOHN MURPHY  
Senior Vice President for International Policy, U.S. Chamber of Commerce

JAYME WHITE  
Deputy United States Trade Representative

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## PROCEEDINGS

MR. COULIBALY: Good afternoon. My name is Brahim Coulibaly. I'm the vice president of the Global Economy and Development program at Brookings. It gives me great pleasure to welcome you to the launch of the inaugural Brookings report on the U.S.-Mexico-Canada Trade Agreement.

It has been two and a half years since the three countries signed a historic agreement to build a more competitive and inclusive and sustainable North American economy. The USMCA is the most significant trade agreement of any of the partner countries have signed since the WGO was created.

Beyond the traditional trade agreement, it provides an economic template to realize the potential of an integrated and competitive North American market. Even though the USMCA would see broad support from various stakeholder in all three countries, its success is not guaranteed, and some implementation challenges are to be expected. Overcoming those challenges will require solid political leadership, but also a sustaining engagement from all stakeholders.

The creation of the Brookings USMCA Initiative last year represents an institutional commitment to support the success of the Agreement through independent research and analysis as well as free engagement with all stakeholders.

Toward this objective we are very pleased to launch today the inaugural annual flagship report entitled "USMCA Forward 2022, Building a More Competitive, Inclusive, and Sustainable North American Economy." In addition to the report we are also launching the Brookings USMCA Tracker. It's an innovative web-based tool to help document and track progress.

The report identifies five priority areas. One, expanding trade and investment; two, strengthening supply chains; three, expanding digital trade; and four, improving labor conditions and wages. And finally, supporting the transition to low carbon economic growth.

These theme chapters are complimented by shorter policy focus and viewpoints of senior government officials and leaders from union, industry, and academia. The authors of their viewpoints include Canada Trade Minister Mary Ng, Mexico's secretary of the economy, Tatiana Clouthier, U.S. Treasury representative Kathrine Tai, and junior leadership in the U.S. and Canada and leaders from the Business Council of the three countries' academics and former lead negotiators for NAFTA, among others.

It is a truly impressive set of contributions, and the report is now available on the Brookings website. I encourage you to read it.

We will have the opportunity to hear remarks from Minister Ng shortly. Following the remarks of the minister, my colleague and lead researcher on this project, Joshua Meltzer, will moderate a discussion with her. We will then hear some remarks from Brookings President John Allen, Brookings International Advisory Council member and trustee, Paul Desmaris, and Brookings International Council member, Pablo Gonzalez. We will conclude with the launch of the event with an excellent high-level panel of senior policymakers and academics from the U.S., Mexico, and Canada.

Before I conclude, I'd like to note that this project would not have been possible without the visionary leadership of John, Paul, and Pablo. So John, Paul, Pablo, thank you for your leadership and for your invaluable support.

I would also like to acknowledge colleagues in our global program in central communications who worked tirelessly to produce the report and to develop the USMCA Tracker. This launch is an important milestone for the USMCA initiative, but our work does not end with the launch. Quite to the contrary, over the course of a year and beyond we will continue to monitor the USMCA, conduct independent research, provide timely commentary, and organize convenings.

So with that let me turn to Minister Ng for her remarks. Minister Ng, on behalf of Brookings, I would like to express our gratitude for your excellent contribution to the report and for your participation to kick off the launch of the report. We are very honored by

your presence, and you now have the floor.

MINISTER NG: Hi there. Thank you so much, Brahim, for that kind introduction. And I'm really pleased to be here to talk to everybody about CUSMA, that's how we refer to it in Canada. It's referred to of course as the USMCA here in the United States and T-MEC in Mexico. And I want to congratulate, especially Brookings for the launch of this very important report and thank you so much for having me here today.

Let me also acknowledge the presence of John Allen, Pablo Gonzalez, and Paul Desmaris, Junior, who will be speaking later. And of course I know my provincial colleague, Administer Fedeli, is also here from Ontario.

But before I begin, I want to take a minute just to acknowledge the crisis that is in the Ukraine. The Russian invasion of Ukraine, now in its fifth day, is the greatest threat to European and Atlantic security in decades. Canada joins America and all of our NATO allies in condemning Russia's egregious actions. Canada's Ukraine communities number more than 1.3 billion people, our two-nation histories are deeply intertwined, current events in Eastern Europe are profoundly felt at home and communities across Canada. And alongside our allies Canada stands resolutely against authoritarianism and will stand with the democratic Ukraine now and into the future.

This July our three countries, Canada, U.S., and Mexico, will be celebrating the two-year anniversary of the implementation of CUSMA. The first two years of this landmark agreement came at a challenging time, as the world was facing a global pandemic. Even at a time of great economic uncertainty, we saw trade between our three countries and our relationship grow stronger, and this is helping us to recover.

This is not a coincidence, CUSMA is a landmark agreement creating the right conditions for increased trade between all three of our countries with high standards for labor and new products. This agreement is supporting our businesses and our industries to grow here in North America, and through that around the world globally.

I'm thrilled to join you to mark the release of USMCA, looking forward to a

more inclusive and sustainable North American economy. The pandemic has shown us that this trilateral trade relationship is more important now than it has ever been.

So let me just take an example that I shared in the report to illustrate this. The company that I highlighted in the report is a Houston-based one called Integrated Viral Protection. And thanks to CUSMA and working together with a Canadian and a Mexico company, this company launched a viral protection indoor air protection system that traps the exclusive 19 virus with high heat.

So I share this example because it really is an example where a Canadian/American and Mexican inputs into this company is what is creating trade at its very best. Trade that creates jobs and prosperity for all of the partners involved. It's made up of thousands of individual success stories just like the one that I shared, but let me just tell you about one more.

It happened right across the Potomac in Arlington. I happened to be here in Washington today and speaking to you from the Canadian embassy. So it literally is right across the Potomac in Arlington. And there, Amazon is building its HQ2 facility with the help of a Canadian company called CarbonCure. CarbonCure's groundbreaking technology ejects carbon dioxide into concrete, taking harmful greenhouse gases out of the environment. It also makes that concrete stronger, which means builders can use less of it. CarbonCure's innovation improves quality and it is lowering the carbon footprint in every project.

I share these two examples because this is the human dimension of trade, and indeed of CUSMA. It is prosperity for innovators, for go getters, for businesspeople, and indeed for workers. Trade isn't easy, it wasn't easy when we negotiated the first North America trade agreement. In 2022 we continue to strive so that trade can indeed work for our businesses and our people in all three of our countries.

And for Canada trade is more than just numbers on a ledger. We've been a principal champion of the rules-based international order for decades. And as I said, free

trade wasn't easy to land in 1988 with the original planned U.S. free trade agreement, it wasn't easy in 2019 with the UK/U.S./Mexico trade agreement, and it certainly isn't in 2022. But the Canada/U.S./Mexico opportunity of working together and facing challenges together will create the right conditions for our businesses to continue to grow and to thrive and this reliability and the stability of our trade agreement is what is allowing our businesses and their hard-working employees to adapt and to innovation into what we've seen as the most challenging of times.

I think moving forward our trade relationship will be crucial to helping support them as we recover, we grow, and we create jobs for our shared recovery and strengthening this North American competitiveness.

So it's clear that the enhancements we've made in CUSMA already foster an environment of opportunities for growth in collaboration between our businesses. It is also an agreement for the future, setting up our businesses and our economies to be successful. And I think that if we continue to work hard in each of our countries to implement CUSMA we're sending a strong signal to people, to businesses, to communities, to investors, and indeed around the world. It's a message about our renewed commitment to shared values and a trilateral economic partnership, one that will protect workers, fight climate change, support small businesses, create opportunities for underrepresented businesses, and contribute to a more sustainable and inclusive future. And I know that as Canada, the U.S., and Mexico continue to work together and to lead the world in a greener, safer, and more competitive economic recovery.

And with that why don't I send this back to Josh for a discussion. So over to you, Josh.

MR. MELTZER: Ms. Ng, thank you, thank you very much for those remarks. It's laying out a very comprehensive vision for what can be achieved in North America and the role of USMCA in that context. And I want to thank you again for your contribution to the report and your clear commitment and your government's commitment to,

you know, strengthening North American economic relations.

Let me start with a question about the bipartisan support that USMCA has received. I have to admit CUSMA rolls off the tongue a lot more easily than USMCA. But it's been noted many times that comparatively after USMCA passed the U.S. Congress with a really overwhelming levels of support, and this is also true in Canada and Mexico. It seems it provides a new opportunity certainly for the USMCA to be a building block for further integration and opportunities to address common challenges. You've outlined a range of them today, including progress on labor and environmental issues.

My question to you is what do you see we need to do in order to make progress to demonstrate that USMCA can deliver on this bipartisan promise?

MINISTER NG: Well, Josh, thank you very much for that important question. I often talk about trade agreements, I try to count it in actual experiences and opportunities for business and investment to grow. And when you look at the USMCA or CUSMA, in the 500-million-person market, and it's worth about \$24 trillion dollars of GDP between the three of us.

And what will make it work and what will make it successful? That we are able to preserve this very important economic region and zone with our high integration so that the benefits of this Trade Agreement yields to people. I think that it has received wide support across the board is because there are some new elements in this Agreement that actually allows for greater participation by businesses and people in our respective economies.

We often talk about inclusive trade and how this Agreement is a high mark for that. Well it's a high mark because, for me as Canada's Minister responsible for both International Trade and Small Business, it really is about being able to get more businesses benefitting from trade overall. So if you look at, you know, in Canada, 99 percent of our businesses are small or medium sized businesses but only about 12 percent export and trade. We could do far better.



If I take a look at one segment, you know, of that population, let's just take a look at women entrepreneurs and women business leaders. 16 percent of small or medium sized businesses, 11 percent of that export in trade. And yet I know from data that we can add up to \$150 billion to our GDP in a few short years by including greater participation and greater business folks.

So I think that the agreement is an excellent one and I think the hallmarks for its success going forward is our ability to be able to work together trilaterally to create those conditions and opportunities for more businesses, including the smaller ones, to really take advantage of this trade agreement so that they are growing. And when they grow you imagine, I mean they grow, they're creating jobs. Creating jobs are good for communities. And we're doing it in a way that takes advantage of, it builds on our advantage here in North America, the relationships that we have and the deep integration of our economies and even more so.

MR. MELTZER: Thanks. That's a goal we certainly share here in terms of expanding opportunity and bringing small businesses into the economic opportunity that USMCA creates.

Let me build on that then and ask you more specifically about supply chains across North America, which will be part of what happens when we talk about North American trade and investment. It's going to be part of the key I think to delivering on some of these visions for integrating businesses better into the national trading space.

There's been a supply chain review that's been under way by the administration here looking at critical sectors. My question to you is how is Canada thinking about supply chains in North America and the role that USMCA might be able to play in strengthening and creating more resilient supply chains?

MINISTER NG: Yeah. Really important. I talked earlier about how integrated our supply chains are now, and if you look at the way we trade and the way we do business right now, over 70 percent of what is exported out of Canada and makes its way

into the U.S. are inputs into what then gets, you know, built upon and then, you know, and then created and made into, you know, sort of, you know, greater finished goods. So that's the high level of exports that go into the U.S. that then are turned into, you know, into finished goods. And then when you think about what we import into, what we sell in the U.S., over 20 percent of what we sell in the U.S. have, you know, have U.S. contents into it.

So the integration is something that we have developed quite robustly over, you know, over decades. And as we look at new areas of our economies I think that this is precisely why the work that we have set up, it's precisely why we've set up the work we have around the supply chain between Canada and the U.S., to really look at those opportunities across sectors for, you know, greater linkages and for greater collaboration in those supply chains between our two countries. We have seen, particularly in the pandemic, some of the vulnerabilities in our supply chain and how we could be working together in the North American context is precisely the subject of this work that Canada, the U.S., you know, are doing now.

MR. MELTZER: Thanks. Let me actually continue on this theme of cooperation around supply chains, and ask you a question around electric vehicles.

There was concern I think towards the end of last year about a proposed U.S. tax credit for electric vehicles that would have been available only for vehicles manufactured in the U.S. And I know there was a lot of Canadian and Mexican concern about this impact this would have on automotive supply chains. Now it's hard to say where these tax credits lead and whether it will become law, but what I would maybe just like you to do is, you know, what's your vision, I mean if we think about the importance of autos in supply chains in North America and the transition to electric vehicles over time, what's your vision for how cooperation and integration in North America can support and build that and aid the industry across North America?

MINISTER NG: Well I think that there's, you know, a great opportunity here. You know, Canada of course registered its significant concern about the EV credit for just

made in America produced, you know, electric vehicles. Because this is also a segment where if the autos status, which form a significant part of the USMCA, I mean Canada and the United States have been making automobiles together for 100 years. We have deliberately integrated in our policies and in our laws and in our respites over the last 50 years through Auto Pact the very deliberate integration of our supply chain so that we can in fact build automobiles together.

The future in tackling climate change and the future of autos is electric vehicles. So to have a tax credit that is discriminatory to, you know, to Canada, and certainly does not meet the requirement of our Trade Agreement of course is very concerning.

But to your question, which is what is the opportunity? I think this is where there is tremendous opportunity. I mean Canada is, you know, Canada is a country that has a significant portion of the critical minerals that are needed to go into batteries, as an example.

There are excellent opportunities for us to be working together in the development of the technology, which includes those minerals for battery production and creating a battery, which is an example, for North America. There really is an opportunity for us to continue to keep building automobiles of the future, electric automobiles of the future, and to be doing it in this North America context.

So I would like to look at it from the standpoint of opportunities where we can fight climate change, where we can build autos, those autos of the future, where we can look at our supply chains, particularly around critical minerals and the build out of that, and really to create a North American competitiveness that is there. Most importantly we sign trade agreements so that we will implement those trade agreements and that we all meet not only the spirit of them but the law of the trade agreements.

MR. MELTZER: Thanks. Yeah, one of the things we are increasingly looking at, and this is I think understood to many, is the importance of North America as a

base for exporting to the world and how we make the most competitive products in order to be successful not only in North America but also globally, and thanks for outlining that vision there.

Let me turn to dispute settlement because you mentioned in your remarks the importance of stability, and we saw the importance of all the costs of the instability I think in the last Administration when it comes to trade policy and the dampening effect that could have on investment and trade.

Over the last 12 or so months of the agreement we've actually seen, I think everyone is starting to utilize the agreement's many dispute settlement mechanisms, both the innovative rapid response mechanism on the labor commitment side. We've seen also the state-to-state dispute settlement mechanism being utilized as well. One perspective may be that this is a sign of trouble, but my view at least in the context of the robust enormous trade relationship like the one you've been outlining is that we expect to have disagreements.

But my question to you is how do you see these disputes over mechanisms in the USMCA generally and their importance for stability and in terms of economic relations?

MINISTER NG: Well I see it as really important. I mean Canada is a country that stands for and that advocates for rule of law. The international, you know, rules-based trading order is what businesses always look to us as governments to provide, which is a set of rules that are predictable and that they understand what those rules are and how, you know, and how to operate within it.

So to improve upon the dispute settlement mechanism in the renegotiated, you know, CUSMA/USMCA/T-MEC has been really important. And it's important for businesses and investors because they understand what those rules are. The ability to set up a, you know, a panel within a certain set of timeframes and to have adjudication on whatever the issue may be is a positive one. I mean that is, that's what's important and

that's what's helpful in an agreement that creates that stability. The stability is created because there are rules there and those rules are applied and they are followed and therefore creates that predictability and certainty for business and for investors.

So I would agree with you, I think that in a relationship as large as the one with Canada, the U.S., and Mexico, you just heard, you know, at the beginning, you know, laid the framework for, you know, for the five trading relationships, which is significant in the North American lot. Having mechanisms for us to deal with issues as they occur, as our trading, you know, as we trade, that you can rely on is tremendously important.

So I would say issues are going to arise, that's what happens, you know, when you do trade, perfectly okay. Having a mechanism that businesses, investors, governments understand also terrific, and that's what we got out of this new Agreement. And we have now seen in, you know, in a few examples how we use these mechanisms. And I think that as time goes on businesses and people will be able to rely on that framework, and they should.

MR. MELTZER: Thanks. I know you've got a sharp end at 3:30 so let me just ask you this final question. What's your vision, what's your priorities over the next 12 months for what you would like to see happening in the North America on the economic relationship side and with respect to CUSMA/ USMCA?

MINISTER NG: Well we are all coming out of COVID. The environment that, you know, the environment that we find ourselves is one where all of us have to pay particular attention to recovery, making sure that jobs are recovered, making sure that opportunities for businesses are there in this recovery in our respective countries, but certainly, you know, in Canada where you have a country of 38 million people and our opportunities for growth really lies with our opportunity to access those trading agreements.

I often call myself the minister of startups, develop and access markets, and we have a theory. We have a wonderful opportunity here in North America to really work together in an effort to help our businesses recover from the effects of COVID-19.

In Canada we have laid out a range of economic support to help our businesses weather through the pandemic. And now as we get on that road to economic recovery it's about helping our businesses become more digital so that they can take advantage of the new arena of digital growth, digital trade, and ensuring that our businesses have opportunities to do that. And it is making sure that in our recovery that we are including people in our recovery. So women entrepreneurs and businesses, race line businesses, indigenous businesses, all have the opportunity to continue to be on this path to recovery so that they are not only growing but that, well that they get on their feet for those that need to, grow, and scale into global markets. And that global market here in North America being the U.S. and Mexico.

So inclusive goals in helping our businesses take advantage of that. All the while kind of being synergistic on the things that we, you know, that we see opportunities where we can support them in the effort of fighting climate change for example. There's a lot of really, I'm seeing just many, many, many incredible companies that have solutions to offer in the range of businesses that are in the free economy. Helping those businesses grow in scale I think is a real opportunity, it's an opportunity for us to recover.

MR. MELTZER: Minister, I want to say thank you for your leadership and your vision for North America and what can be achieved here, and for your support of the work that we're doing here at Brookings. I wish you all the success and look forward to catching up with you at the next opportunity.

MINISTER NG: Thank you so much, Joshua, and thank you to everyone in the entire team at Brookings. And I had a chance to glance at the report, it's fabulous. So invite me back, I'd love to come back.

MR. MELTZER: Thank you, we will, absolutely. Let me now turn it over to Brookings President John Allen for his remarks.

GENERAL ALLEN: Well, thank you, Minister Ng, and thank you, Dr. Meltzer, Josh. It was a great conversation. It was insightful, it was engaging, it was exactly

what we needed for the beginning of this convening today.

But before we start, let me also echo Minister Ng's comments that were made on behalf of Canada regarding this difficult moment that we're in, this unprovoked illegal invasion of a peaceful democratic country, Ukraine, by Russia.

We condemn this invasion in the strongest possible terms, and our thoughts and our prayers are absolutely with the Ukrainians in the Ukraine, but more broadly the Ukrainian diaspora that's in Canada and America and many other countries in the world that Ukrainians are suffering enormously right now. We need to support them however we can.

Ladies and gentlemen, this is an important convening this afternoon. And in her earlier excellent remarks, Minister Ng made the clear opportunities that strengthen economic cooperation within North America will hold improving welfare and addressing challenges that no one country can manage alone. Such as responding to the COVID pandemic or climate change or unfair competition. Indeed, the minister and her contribution to the report itself highlights the importance of collective effort and regional partnerships as we tackle of some of the most pressing global challenges ahead.

As Dr. Coulibaly, Coul, shared in his opening remarks, Brookings launched the USMCA Initiative for that exact reason, to help strengthen and to deepen North American economic relations and cooperation. And I am certain this initiative will be essential as a resource for policymakers and leaders alike going forward.

Created as a multi-year project, the USMCA Initiative focuses on the agreement's key development, identifying how the USMCA can create opportunities and address some of these challenges. And we do this through world class research, convenings, and innovative tools such as the USMCA Tracker, which is an online tool that will track trade and investment flow, including meetings and disputes. And we hope that this tracker will become a go-to resource for policymakers and all stakeholders going forward who are interested in USMCA progress.

I'm thrilled to be part of the Inaugural USMCA Forward '22 report. And I

want to thank all of the contributors from this excellent report, both the authors and the team at Brookings who worked tirelessly to develop the USMCA Tracker.

And this report makes clear several points. First, USMCA is a pathway towards even greater levels of cooperation and dialogue among our three countries to address these shared problems. It demonstrates progress on agreements related to labor and environment which will be central to sustaining bipartisan political support for the Agreement.

Lastly, it is crucial that there is sustained attention and high-level political commitment to making USMCA work. And this includes each of the three member governments fully implementing and complying with USMCA commitments. USMCA represents a new opportunity for Canada, Mexico, and the United States to build an economic partnership that addresses common challenges and improves worker output.

Success will require strong political leadership and sustained engagement by all stakeholders. In turn, the Brookings USMCA Initiative aims to play a key role in supporting these outcomes.

And so now it's appropriate for me to turn to Paul Desmaris and Pablo Gonzalez who, as Coul said, not only contributed to this report but have been stalwart supporters of the USMCA Initiative at Brookings throughout. So, Paul, let me turn the floor over to you for your remarks. You're muted.

MR. DESMARIS: Okay, John, thanks for that. Well I really want to thank John, Coul, and Josh for this wonderful Initiative and carrying this through. Because you need somebody to carry the ball, and you people are really doing it, and certainly very proud to be associated with you.

I really want to thank Minister Ng as well for her remarks, which I thought were interesting, and her leadership, frankly, in this respect as well.

You know for my part I was reminded recently with this big truckers' incident we had in Canada. I think most Canadians were probably shocked that one bridge carries



\$300 million of trade every day. So it gives you an idea, you know, that, and we all sort of as Canadians know that U.S. is an important market.

Well what you realize is that U.S. exports are 16 percent of Canada, double China. And it's interesting that it's the same number Mexico has brought to my attention, 16 percent. The two of them together are about a third of U.S. exports. So when you start thinking about that, you start thinking the importance of what we're doing here is really crucial for all our countries. And then I think of the challenges that we've had to meet in the last year, you know, the COVID, now two years. And you think of our supply chain and the resilience of our supply chain, and how it's important to have something in North America that makes sense.

Then you think about the growing power of China as an economic block. And you think of our competitive ability. I mean it's there, there to be met, and we're going to have to meet it and do that. And I think as a group we have a better chance to do that.

And then I think of the climate change sort of challenges us as well and I think of where the USMCA can grow and grow into new things and as we develop new solutions, as the Minister pointed out, and can expand the role between our three countries to help this challenge.

So I started thinking, you know, there's a lot being done, there's a lot to be done, and the challenges we face just highlights how important, in my mind, this all is.

So I have to say that getting government business and civil institutions, you know, and institutions like this one to weigh in is a wonderful thing. And this is really helpful.

So I can't thank you enough for what you're doing. I think for our citizens it's such a big thing because it's part of our wellbeing when all is said and done. When the economies of our countries go well, when we're competitive, our wellbeing will be just that much better.

I just want to say I think this is a very sad moment in our really decades and decades of history, this moment that we're living now. I think it's quite nerve wracking for

everybody. And everybody's kind of distracted by it, but I'm really glad to see that Brookings, you know, we all have to keep moving on on the things that are positive and that are good for the world. And this is certainly a good one and I'm certainly happy to be part of it. So thank you.

GENERAL ALLEN: Well thank you very much. I assure you that Brookings is going to keep moving on even during this moment of real challenges.

MR. DESMARIS: Right.

GENERAL ALLEN: And, Pablo, if I may give the floor to you.

MR. MELTZER: John, I don't think Pablo's managed to join, I think he's had something else come up.

GENERAL ALLEN: Okay. Well then, Josh, you are the lead at the Brookings Institution for the USMCA Initiative, and I know you want to share some of the deep take aways from the report and to moderate what we know will be a very engaging panel to discuss with leading thinkers in this space, the current state and the future of USMCA.

So, Josh, again, thank you for your leadership, thank you for the great work on this report, we're all very proud of it, and let me turn the floor over to you.

MR. MELTZER: Thanks. Thanks, John. And thanks, Paul, both for your leadership and support for this very important work. And like my colleague before you, I really also want to recognize the work from all the team at Brookings who have been working on this initiative to make today possible. You know, in no particular order, Chris, Abigail, everyone really in Central Comms, Esther, Diego, Andrew, you know, a big thank you to all of you.

As mentioned, today we're launching the report, "USMCA Forward 2022: Building a More Competitive, Inclusive, and Sustainable North American Economy," as well as the USMCA Tracker, which you're heard a little about.

So this tracker is a source of gathering information on the state of North

American economic relations. It tracks trade and investment flows at the country, state, and regional levels, provides information on USMCA meetings, dispute, and implementation. And much more is planned for the Tracker's use. So please go and have a look at this tracker. It's online now at [www.Brookings.edu/USMCA-Tracker](http://www.Brookings.edu/USMCA-Tracker).

To turn to the USCMA report, but before getting into its key messages, let me just provide some quick data points to highlight the significance of trade investment amongst Mexico, the U.S., and Canada.

This is likely well known to most of the audience here today, but I think it is worth nevertheless repeating. Canada and Mexico are the largest markets for U.S. exports. There are approximately twice as many U.S. exports go to each of these markets than to China, the third largest market after Mexico and Canada that the U.S. exports to.

The U.S. is the largest market for Mexican and Canadian exports. And as Minister Ng outlined, a lot of this trilateral trade is in intimated imports used in supply chains to produce everything from cars to medical devices, IT equipment, aircraft, and so on that are consumed in North America but also exported globally.

Investment is also a key part of North American economic relations. Canada is the United States' second largest source of investment. The U.S. is the largest investor into Canada, and the U.S. and Canada are the top two investors into Mexico. So what these numbers do make clear is that USMCA matters because essentially it governs each country's most consequential economic relationship.

USMCA's also important because of the opportunities to build on this economic relationship to address common challenges and pursue even better outcomes.

The report we are launching today contributes to a vision for how USMCA can build more competitive, inclusive, and sustainable North American economic relations. And we focus on five priority areas for trilateral cooperation. Improving competitiveness, strengthening supply chains, expanding digital trade, better labor conditions and wages, and supporting the transition to low carbon economic growth. Each chapter is written by experts

from Canada, Mexico, and the United States. And these chapters are complimented by shorter, policy-focused viewpoints from senior government officials and leaders from unions, industry, and academia. This includes, as you've already heard, viewpoints from Canadian Trade Minister Mary Ng, Mexican Secretary of Economy Tatiana Clouthier, United States Trade Representative, Katherine Tai, AFL-CIO President Liz Shuler, Unifor President Jerry Dias, business leaders from the Business Council of Canada, the Business Roundtable of Mexico and the U.S. Business Roundtable, as well as notable academics in this field and former lead trade negotiators for NAFTA. And these viewpoints, together with the chapter analysis, provides a comprehensive view of the potential benefit of the USMCA for the three countries. And as we've said, this report is available online, so please have a look at it.

Now the following provides a brief overview of the chapters and outlines the key themes and messages that emerge.

So in the chapter on strengthening North America competitiveness, Luis de la Calle describes the importance of the regulatory environment and technological advancement and how implementation of USMCA can be a catalyst for improving competitiveness in the burgeoning field of health and medical innovation. This includes leveraging the region's talent and working across federal and state governments, academia, research status, and the private sector as a joint effort in distributed collaboration and innovation.

In the chapter on building more resilient supply chains, David Dollar offers analysis and insight into the extent to which Mexico can be an alternate destination for Chinese-based manufacturing and supply chains. He concludes that USMCA has the potential to improve the region's investment climate. However, complimentary policies that address weaknesses in areas such as logistics and human capital will be crucial for Mexico to fulfill its potential as a manufacturing hub.

Building a digital North America by Patrick Leblond is another focus of the report that speaks to the opportunities USMCA presents. USMCA includes a set of

commitments on digital trade that will largely absent in NAFTA and which are the most comprehensive digital trade commitments globally.

Leblond explains how the three North American economies can realize the full potential of digital technologies and the importance of cooperation on the regulatory agenda as well as in areas such as privacy and cybersecurity.

The importance of the Agreement's labor and environment chapters is another focus in the report. Any of the labor and environment chapters to USMCA was important progress on NAFTA and the inclusion of these labor and environment chapters was central to building bipartisan political support for the Agreement. As Liz Shuler in her contribution to the report makes clear, the Agreement's enforceable labor provisions and stronger labor standards were key reasons why the AFL CIO supported USMCA. The first time in 20 years it has supported a major trade agreement.

Joe Dias, president of the Unifor, Canada's largest private sector labor union, also emphasizes in his contribution the importance of USMCA labor provisions for improving worker conditions.

Demonstrating that these chapters can yield results will be needed to ensure that USMCA can deliver more inclusive and sustainable acts comes from international trade investment and for sustaining broad political support for USMCA going forward.

In this respect the Biden Administration's use of the Agreement's rapid enforcement mechanism to address breaches of USMCA labor standards at Mexican facilities helps demonstrate the effectiveness of these labor provisions.

Santiago Levy in a chapter in the report provides important analysis of the extent in which USMCA labor commitments can help increase Mexican wages. He concludes that in addition to these USMCA commitments, reform of Mexico's labor market regulations will also be needed in order to significantly increase Mexican wages. In the absence of such reform, USMCA could lead to small wage increases in firms engaged in

trade with the U.S. but with limited impact on overall wages in Mexico.

The opportunities for USMCA to help address climate change is a subject of the chapter by James Bacchus. Bacchus points out that the goals of increasing competitiveness and addressing climate change are not in conflict but are in fact complimentary. This includes leveraging USMCA to eliminate tariffs on environmental goods and services that can be used to address the impacts of climate change. These policies would also increase the competitiveness in North American industry, enhance coordination of research and development in clean energy across the countries, and integrate better the North American energy market for developing common standards and regulations that reduce emissions along supply chains.

In addition to the chapters as noted, there are a range of things that emerge from the viewpoints and which complement and add texture to the chapter analysis. One of the things is the need for the three North American governments to fully implement and comply with their USMCA commitments.

As the business leaders in their viewpoint note, full implementation and enforcement of USMCA will sustain broad political and stakeholder support for the Agreement. Ambassador Tai in her viewpoint also noted that full implementation and enforcement of the USMCA are top priorities for the Biden/Harris Administration and a key component of a work acentric trade policy.

One of the things that has been made clear after the previous U.S. Administration is the importance of certainty for international trade and investment. In data analysis by the United States International Trade Commission with respect to the impact of USMCA found that much of the economic gains for the U.S. would arise from trade policy certainty.

Going forward, using the Agreement's dispute settlement mechanisms to settle disputes and complying with the decisions of panels and tribunals is a keyway that government can demonstrate ongoing commitment to the Agreement and the rule of law.

Another thing that emerges from the viewpoints is the importance of trilateral cooperation and the role of USMCA in that context. All the trade representatives and ministers in their viewpoints in this report have underscored the importance of USMCA for strengthening cooperation to address pressing collective challenges such as the COVID-19 pandemic, climate change, and strengthening North America competitiveness.

We've heard from Minister Ng about the opportunities USMCA provided for manufacturing firms across the three countries to rapidly develop an innovative air filtration system for addressing COVID. Similarly, Mexico's Secretary of Commerce, Tatiana Clouthier, emphasizes in her contribution the need for closer cooperation and deepening integration and more coordination and more dialogue. And Ambassador Tai, in her contribution to the report calls USMCA the cornerstone of North America's economic future and concludes with the observation that it will be critical for the United States, Mexico, and Canada to continue our close cooperation to ensure that USMCA remains a living Agreement that delivers inclusive economic growth and broadens our collective prosperity.

USMCA built in a lot of opportunity for cooperation. By strengthening trade and investment we have improved business to business links and people to people links. Within the Agreement itself there is an important meeting schedule, including ministry or meetings of the Joint Trade Commission, USMCA committee meetings where for example in December last year the Competitiveness Committee met to agree on a set of new work agendas going forward, including on workforce training and customs facilitation.

These avenues for trilateral cooperation also matter where they strengthen habits of cooperation with an open space for dialogue and joint action in other areas. Formerly the U.S. Trade Negotiator and former U.S. TR Carla Hills points out in her viewpoint how cooperation under NAFTA led to strengthening cooperation in other areas such as border security, environmental protection, and intelligence sharing.

This is one reason why President Biden hosting President Obrador and Prime Minister Trudeau in November last year, the Three Amigos Summit, was so important.

It had not met for five years, and signaled leader level commitment to rebuilding trust, and in the process create new space to deepen and expand trilateral cooperation.

I want to conclude with the observation that USMCA matters for North America as a building block of economic prosperity as well as collective security. Building a more competitive, inclusive, and sustainable North American economic relations, strengthening trilateral cooperation and dialogue, seeing each other as allies and partners is also needed to address challenges from China and other autocracies challenging not only our economic systems, but our democracies as well.

This is not the place for a deep dive into the various strategic importance of USMCA, but in light of what is happening in Ukraine and the China/Russian Joint Statement in February, the challenges are clear.

USMCA is a new opportunity for Canada, Mexico, and the U.S. to build an economic partnership that addresses common challenges and improves worker outcomes. Success as noted today by many of the speakers will require strong political leadership and sustained engagement by all stakeholders. And here the Brookings USMCA Initiative stands ready to support these efforts.

Over the course of the year we have an ambitious agenda, including close monitoring of USMCA through the USMCA Tracker, further research, outreach, and convening. And we look forward to engaging all of you in this work. Thank you.

I'd like to now turn it over to the panel. The panelists could come onto the screen. We're waiting for Pablo. Pablo I know is in the audience, and Santiago Levy is in the audience, so I think if we can just bring him up onto the panel that would be great.

In the meantime, let me just a couple of housekeeping remarks. We're going to introduce our panelists shortly. We will essentially have a moderated conversation after that. For viewers, if you want to submit a question to the panel you can either email this to [Events@Brookings.edu](mailto:Events@Brookings.edu) or via Twitter with hashtag USMCAForward. And those questions will funnel through to me and I will attempt to incorporate a lot of those sort of



questions that you are asking the panel into the questions that I'm going to be asking them as well.

Pablo, it's great to see you, Pablo Gonzalez. And we missed you before. But let me just give the floor over to you to make some remarks before we launch into the panel.

MR. GONZALEZ: Thanks so much, Josh, and sorry for the technical difficulties. I was connected, I did get to hear everyone but for some reason you guys couldn't see me. And I don't want to interrupt the panel so I'll be very, very, very brief.

I'll just say that let me start by recognizing that I think we're very fortunate that our three countries are not just neighbors but committed allies and trading partners. Late Secretary George Schultz used to say that foreign policy starts in your neighborhood. And both the pandemic and the terrible unfolding situation in Europe I think are reminders of how valuable North American integration really is and the great importance and timeliness of this project.

So in this context I just want to congratulate Brookings on the Initiative as USMCA is the foundation of North American integration. I think Brookings' effort is absolutely critical for at least three reasons, which I think you guys have already talked about.

One, it enables a realistic fact-based evaluation of the Agreement. Which this will be critical as the U.S. and Canada, U.S., Canada, and Mexico begin their six-year review of the Agreement in 2025. And also instrumental in protecting the USMCA brand.

Second, the effort also strikes document successes and identifies challenges before it's too late to address them. And you've talked about the successes, on the efficient mechanism to settle disputes among parties. And also the challenges which Brookings has correctly highlighted, the main one being for the Agreement to each member to be in full compliance of the Agreement going forward. As the list of addressed violations grows its credibility certainly weakens, so very, very important.

And finally the effort to identify opportunities for further integration. I believe it's our responsibility to maximize USMCA's benefits, and there's no doubt that we can and should do much, much better in this respect and make sure that the benefits are more broadly felt.

So once again, congratulations on an auspicious start, and as I said at the beginning, this could not be more timely and more important. And I believe given Brookings extraordinary research, analytic, convening, and advocacy capabilities, I have no doubt this effort will have great impact as we all strive to realize the region's potential. That is being the most competitive and prosperous region in the world.

So thanks, Josh, sorry to interrupt the panel. Great to be here and thrilled to be part of this great, great effort. Congratulations to everyone.

MR. MELTZER: Thanks, Pablo. And of course we are thrilled we finally got you on. So thank you for finding the time, that's excellent. Thank you for your support as well, it's been very much appreciated, and your leadership.

I'm going to introduce the panelist briefly. And, Luz Maria, I know that you need to leave around 4:00 p.m., and, Vic, you need to leave before the panel concludes. So when you need to leave, feel free to just drop off. We won't take it personally, we appreciate you've got very busy schedules.

I'm just going to introduce the panelists alphabetically here and start with Ed Alden, who is the Ross Distinguished Visiting Professor at Western Washington University in Bellingham and the Bernard L. Schwartz Senior Fellow at the Council on Foreign Relations. He's the author of *Failure to Adjust: How Americans got left behind in the Global Economy from 2016*, and *How America Stacks up: Economic Competitiveness and U.S. Policy*. And his first book, *The Closing of the American Border, Terrorism, Immigration and Security since 911 from 2008* was a finalist for the Lukas Book Prize for narrative non-fiction.

Victor Fedeli is the Ontario Minister of Economic Development, Job Creation and Trade, after previously serving as the Province's Finance Minister from 2018 to 2019.

He's a lifelong businessman and entrepreneur. And before his election to the Ontario Parliament in 2011 he served as Mayor of North Bay, Ontario, and before that he was a consultant and leader of various local provincial and national non-profits.

Luz Maria de la Mora has over 25 years of experience in the public sector serving as head of the Economic Relations and International Cooperation Unit in the Ministry of Foreign Affairs, and is head of the International Negotiations Unit in the Ministry of Economy. She was also part of a negotiations team at NAFTA, and since December 2018 she is the Vice Minister for Foreign Trade in the Ministry of Economy. Great to have you here.

Dr. Santiago Levy is a nonresident Senior Fellow at Brookings and he's a past President of the Latin American and Caribbean Economic Association. He also served as the Chief Economist of the Inter-American Development Bank and was Mexico's Deputy Finance Minister from 1994 to 2000.

John Murphy is the Senior Vice President for International Policy at the U.S. Chamber of Commerce. Since joining the Chamber in 1999 John has led successful campaigns to win congressional passage of trade agreements, most recently leading the Chamber's advocacy on USMCA and the USMCA Business Coalition. Glad to have you here.

Jayme White has served as Deputy United States Trade Representative since September 2021. Prior to his appointment he was Chief Trade Advisor to the Senate Finance Committee, helping to lead efforts to level the playing field for American workers, including during USMCA negotiations. He's also served as Legislative Director after Senator Ron Wyden and Congressman Jim McDermott. Glad to have you here, Ambassador.

Let me start with a question to all the panelists. And just as a general note, please, you know, I would encourage a free range in conversation here. There's few enough on the screen that if you just raise your hand I'll take note of it. Feel free to come in on questions that you want to, don't feel you have to come in on all question either.

I ask this question to Ms. Ng and I want to propose a similar question to the group here. And this is the fact that USMCA passed U.S. Congress with such high levels of bipartisan support. It was also very strongly supported in Canada and Mexico. And the idea of this support points to a new opportunity to turn a page on NAFTA and to move forward with other opportunities for economic integration and to address common challenges and opportunities.

So the question to the panel is, what is needed for USMCA in terms of delivering outcomes in order to sustain this high level of bipartisan political support going forward?

MR. FEDELI: I'm not shy, Joshua.

MR. MELTZER: Yes, come in, please.

MR. FEDELI: Offering the Canadian, the Ontario, Canada perspective if you don't mind, I won't talk long.

MR. MELTZER: Okay.

MR. FEDELI: Look, I call it NAFTA 2.0 by the way, so some call it CUSMA, some call USMCA. I just call it NAFTA 2.0, and then others know what I'm talking about.

I like to remind everybody that there are 9 million American men and women that wake up every single morning to make products to ship to Canada. And I think about Ontario where we have one in five jobs depend on trade. I think about the 19 U.S. states where we are, we, Ontario, the Province of Ontario, are their number one sales location. And I think of nine other states where we are their number two trade destination.

So those are the kind of things I think are really important that we continue to remind each other, that we, as Minister Ng said, she said trade isn't easy. And I think she truly hit the nail on the head. It's not easy, but we have been, you know, working, especially in the auto sector, for a hundred years, certainly very closely regulatory-wise for 60 years now.

And those are the kinds of things I think that come through my mind and we

speak about in the Ontario Legislature and we speak in U.S. media every opportunity that we have, Joshua.

MR. MELTZER: Thanks, Vic, that's certainly helpful. John, please.

MR. MURPHY: Josh, thanks very much. It's a privilege to be here with this distinguished group. Just a couple of brief comments to build on what we just heard from North of the border.

You know, I think USMCA attracted broad support in the U.S. Congress and more broadly across North America for three main reasons. First of all, it maintained the basic framework of open trade between the three countries, you know. I like to cite a study that found that 13 million American jobs depend on trade with Canada and Mexico. And there are millions more in Canada and in Mexico that depends on trade with the other two partners. And you might say that this is building on, you know, some iterative process going back a long time, you know, the 1965 U.S./Canada Auto Pact, the U.S./Canada Bilateral Free Trade Agreement, the NAFTA, and now USMCA all building upon that basic framework.

And as that has happened, we've seen the intensity of those trade ties and the number of jobs that depend on them just grow and grow. I recall at the beginning of the USMCA negotiations, as you will all recall, that there were a number of moves by the U.S. Administration to consider withdrawing from the NAFTA. And this really elicited a broad pushback from across the U.S. political spectrum. You had Republican Senators and Governors from across the heartland going to the White House and saying no, don't do this, this would be a disaster for us. And so I think a lot of that ties back to the point, Josh, you made citing the International Trade Commission report that the trade certainty that this framework of law provides in North America is just invaluable to so many sectors.

Second, I think the modernizations that we saw that have been mentioned already, things like digital trade. There's really a world class SDS sanitary and phytosanitary standards chapter, good regulatory practices. These were just a number of improvements to

the NAFTA which reflects changes in the economy.

And finally, last point, I think a lot of it's about enforcement and enforceability. You know, in the last stages of the negotiations House Ways and Means Chairman Richard Neal, you know, he opened every set of remarks he made about it saying enforcement, enforcement, enforcement. You know, if we can't enforce these commitments we make then what are they really worth? And the USMCA fixed the old panel blocking problem in the NAFTA so that it's enforceable.

And now the challenge for our three countries is to comply and then help meet the standards that we committed to. And I think that's a theme that will come back to in this conversation today.

MR. MELTZER: Thanks, John, yeah, there's a lot there, and we will return to some of those key points, particularly around enforcement of compliance.

I'm just going to call on hands in the order that I've seen them having come up, first come up. First Jayme White and then Ted and then Luz Maria.

MR. WHITE: I think I'll yield to Undersecretary de la Mora and then I'll go after that.

MR. MELTZER: Okay.

MS. de la MORA: Thank you, Jayme. Well first of all thank you very much to the Brookings Institution and to Josh for the invitation to the Minister of Economy. I'm here on behalf of Secretary Clouthier. I want to congratulate you and the Brookings Institution for the report and the tracker. I think that these will be extremely helpful in terms of exactly what you're point to right now, which is how do we maintain the support for USMCA. And I think that today it's an extremely timely event to have this discussion on USMCA.

In the context of what we're seeing today with respect to Ukraine and the Russian invasion, as you know Mexico has firmly condemned this aggression and we want that the parties find a diplomatic solution as soon as possible that reduces the loss of

supplies and suffering of people over there.

So I really think that what we're seeing in that part of the world will have an impact in our economies in our regions, which is already, as Minister Ng was mentioning, we are still in the process of recovering from COVID and we're still in the process of building the North America that we want.

So with respect to your question, Josh, I would like to mention three things. First, USMCA is an incredible source of certainty and predictability for our countries to work together and to work in this economic collaboration that we want and that we have decided to be part of.

So if North American integration really needs to be socialized and so people understand that North American integration yields benefits to all of us and that we have given ourselves a series of disciplines, instruments, mechanisms, and commitment that the three of us have decided that we wanted to keep ourselves because we thought that this is the way we want to bring North America to the next level.

The second point that I'd like to mention is that USMCA has been showing that in the middle of a pandemic, in the middle of a very difficult situation, Mexico and Canada neighbors can continue to work together, we can use USMCA to address very important challenges, for example interruption of supply chains and confinement. During the beginning of the pandemic we were able to find solutions.

But today, as already been mentioned, Mexico, the U.S., and Canada are main trading partners. The three of us together trade more than \$1.3 trillion in 2021. Mexico is the second largest trading partner to the U.S., only behind Canada with a \$3 billion difference.

And we are stronger together and we're trying to build also a North American region that not only allows for the free flow of goods, services, and investments, but we're also seeing how we are producing, what kind of integration we are building.

So we're the building an inclusive region, we're building a sustainable

region, and we're building a region that intends to integrate everyone that wants to be part of it by having as inclusion, anti-corruption, labor, environmental provisions. So that's the set of rules that nobody cares for why we are integrating but how we are doing this integration and (inaudible).

And my third point has to do with the new economy. USMCA offers rules to make sure we can have an integrated North American digital economy that is built on state-of-the-art tools that allows us to develop the economy of the future and to make sure that competitiveness, that integration, will help us at the end of the day to build a better results for our people. Thank you.

MR. MELTZER: Thank you. You know I think we're going to come back to it, there's a lot there, and thank you for those comments. Jayme, let me turn over to you and if you want to respond or make your own comments.

MR. WHITE: Yeah. I think what you're going to hear for the afternoon is there's so much agreements on principles and spirits. And, you know, I want to comment on Minister Ng's remarks where, you know, she said there's a human dimension of trade and that there's more to trade than just a ledger. And that's exactly how we feel. We call it a workers' centered trade policy. And I think it's the same sort of spirit as Ms. Ng captured in her remarks. And, you know, Undersecretary de la Mora used an important word certainty and it is certain that this relationship, economic relationship which is more than economics. It's cultural, we're neighbors but the certainty behind the relationship is really, really important. And I think you're going to see that we're very focused on certainty and we have lots of shared values.

And the word enforcement came up, John, and it's really important. There's been loss of trade fights in the U.S. over the years and there's been questions around enforceability and I think that we try to resolve them at USMCA and elsewhere. But the fact of the matter is is when we can tell American voters, American workers and with the credibility that we are enforcing trade agreements, when we have enforcement, we have



credibility and therefore we can be incredible in terms of what we do going forward.

So I think there's a lot of synergy between all three countries. There's always going to be issues and we'll talk about them for sure but my experience is that we largely share the same values that we are pushing forward. Thanks.

MR. MELTZER: Great. I'm going to come back with some follow-on questions but let me just turn it now to Ed whose had his hand up for a while before we do that.

MR. ALDEN: Yeah, thanks very much, Josh and I'll keep this. But congratulations on the report. I particularly like all of the graphics in it which I'm going to use extensively with my students. Really, really helpful information trove there.

I want to try to address your question about how to move the USMCA forward in a positive way. I've been watching this stuff closely going all the way back to the original negotiations of the NAFTA. And I think in these relationships, there is a balance between kind of ongoing management of the relationship and having some forward-looking agenda. And my concern right now is we don't really have the mechanisms in place and part of why I think this Brookings initiative is really important to push the relationship forward.

If you look at it given the scale of trade among the three countries, if you're just dealing with day-to-day management you're basically dealing with problems because problems are going to arise in such large trading relationships and you're going to have to resolve these disputes. Over the last two or three decades there has often, not consistently but often been an effort to counterbalance that with very high-level initiatives designed to deepen cooperation and economic integration.

We can look at the security and prosperity partnership, for example, at a tri-lateral level, at a bilateral level with Canada which I know a little bit better than Mexico. The smart border accords after 9/11 or the Beyond the Border Initiative that followed. All of those gave high level impetus to efforts to deepen the relationship. Work out problems in a proactive way as opposed to just relying on the formal dispute settlement procedures.

And I worry a little bit partly given how difficult the USMCA negotiation was and there's a tendency to say we got through that, done and dusted, we've got this good new set of rules everything will be fine and I don't think it will be. I think there's going to have to be a high level maybe generated from the resumption of regular trilateral summits. I hope that happens. But I think just relying on the mechanisms within USMCA aren't going to get us where we want to be.

And I just want to comment quickly on Ambassador White's comment about shared values. I think there is tendency given the depth and history of these relationships to just assume those shared values. I actually don't think that's the moment we're in anymore. I actually think we're going to have to fight for those shared values.

If you look at some of the fallout from the convoy, if you read a lot of the literature in the nationalist wing of the Republican party now, I mean Canada has become enemy number one, right. This is, you know, a dictatorship north of the border. And so I think those of us who believe very strongly that this North American relationship is absolutely critical to our future actually have to start speaking out and fighting for those shared values rather than just assuming them.

Say of course we see the world the same way. A lot of us don't see the world the same way anymore and I think we're going to have to be proactive. There's going to have to be stronger public communication, there's going to have to be deliverables from a positive agenda. So I hope that, you know, some of the work you're doing here Josh and others can be a start of an agenda that builds on what's been done at USMCA as opposed to just thinking okay we've got this great framework of certainty and all we need to do is manage it.

MR. METLZER: Yeah, thanks Ed. And we start, I think, from a very similar position which is the importance of sustained political attention by all stakeholders to building out that agenda. So I think that's a point well taken. Jayme White, do you want to come back in on those comments?

MR. WHITE: Yeah. I just disagree. I'd like to hear some examples of where we don't have shared values because in my conversations we do by in large. But if you have examples where we're not aligned, I'd like to hear what your examples are.

MR. ALDEN: You should look at the management of the border throughout the COVID pandemic. I mean the Canadians looked at what we were doing down here in the United States and they were horrified by it. Many of the initiatives were unilateral. There's never any coordination on mobility throughout the pandemic. The U.S. and Canada had completely different rules for who could cross the border and in what circumstances. There were same sort of differences at the U.S. Mexico border.

There were some pretty severe battles at the beginning of the pandemic over supply chains and medical equipment. Those were ironed out in encouraging ways and I do think USMCA provided a framework there. I mean and, you know, you look at the fallout from the trucker's convoy, the closing of the Ambassador Bridge. There are significant voices here in the United States saying look this shows that we don't necessarily have reliability in our North American trading relationships. We need to focus more on reshoring production.

There are a lot of really core issues that I think are going to require defending, you know, broader North American vision. I don't think we can assume that. So those are some examples.

MR. WHITE: That's not different than the examples we have with basically every other country dealing with COVID, right?

MR. ALDEN: I don't want to go too much back and forth just two as a broader conversation. But I think the premise here, the framework is that the North American relationships are special. And we should have a deeper level of cooperation, we should be something of a model to the world. And so just to say well we've had challenges with other countries I think in North America we actually have modeled over a history a higher level of cooperation.

MR. WHITE: Yeah. The challenges we've had have been with the Europeans as well. So like we're all trying to coordinate is my point.

MR. ALDEN: Fair enough.

MR. MELTZER: Yeah, and in some respects, you know, to the extent I take Ed's point as being about we need to keep working on, you know, these core commonalities to ensure that they are the ones that come to the top. I think that remains relevant. I mean John Wakes in his contribution to the report, he made the observation that when the Trump administration put, you know, tariffs on imports of steel and aluminum for national security purposes from Canada, I think that sort of shocked a lot of people in Canada in the idea that Canada could be a national security concern for the U.S.

And so, you know, I think there's a foundation for shared values but one that we can't take for granted and need to keep ensuring that we work on and ensure that they're the ones that predominate in our discourse and our engagement certainly.

Let me turn to this issue about certainty around in trade policy because a lot of you have mentioned it and the rebuilding to some extent of the disputes and mechanisms that innovate some of the mechanisms of the labor chapter I think is key. And I'd like to turn to that in part just to get -- build out this question about the importance of the labor chapter in USMCA. It's really groundbreaking and there's nothing like it in any other FTAs.

And, you know, Jayme (inaudible) and the administration broadly talks a lot about a work eccentric trade policy and I think people naturally look at the labor chapter as a starting point for trying to understand what this might look like. So I think this chapter is important in terms of North American economic relationships and potentially how it works more broadly than that.

Maybe let me just ask you then initially, you know, how you see the labor chapter commitment in the context of the relationship at the moment. There's been a lot of there's a sense that the administration has really leaned into these, you know, the rapid response mechanism. There's been a few disputes, some successful resolution of these disputes I

think to demonstrate how they work. It would be interesting to get your perspective on the chapter itself and also its broader significance within USMCA from where you sit.

MR. WHITE: Thanks for the question. This rapid response mechanism I was behind a lot of it in the Senate. I would say it is novel, the grounds to this labor. But within CAFTA, we had something similar, we have something similar in terms of textiles. Where we have facility inspections and there is something similar in the Peru annex on timber as well that's been utilized. So it's novel on labor but it's not a novel idea.

And what's really important to me is that it's enforcement yes but it's cooperation because it comes back to shared values. And, you know, what we've experienced so far is that we worked well with Mexico to take a look at things and see where things stand and find solutions together. The relationship is not antagonistic, it's a relationship that we nourish throughout the USMCA in general but also throughout the labor chapter.

And we're experimenting here on labor and so far so well. There's a big vote today but I kind of turn it over to the Undersecretary to provide her comments. But really, you know, there was a real strong effort to make sure that this was a collaboration between the countries and not something that's antagonistic like dispute settlement.

MR. MELTZER: Luz Maria.

MS. DE LA MORA: Well thank you, Ambassador White on what you were saying. I want to say a couple of things. First, USMCA introduces a number of new areas in which we -- this is the first time we introduced rapid labor response mechanism in any free trade agreement between Mexico and any other country (inaudible) for the U.S.

I very much appreciate what Ambassador White just mentioned with respect to collaboration and cooperation. And I think that that's exactly how we are seeing this chapter. And I also want to mention that chapter 23 aligns with one of the key priorities of the current administration. President Lopez Obrador before he became president, he had labor reform and the impertinent or the labor conditions that worked in Mexico as part of his

agenda.

So just to put a little bit of this in perspective, we are working domestically on a number of issues and I would say and I don't think I'm exaggerating when I say that during this administration probably one of the most important structural reforms that we have undertaken has to do with the federal labor law reform which is in place since May 1, 2019. And this creates a legal framework that goes beyond our USMCA applications.

USMCA and Mexico's labor reform coincide in a number of issues. First, it guarantees the right of workers to exercise their vote for union representatives by secret ballot. Second, it ensures that workers can be part of unions of their choice and that there is freedom of immunization and also freedom of association. And the third point it has to do with the labor justice system. It creates a new structure to resolve a labor conference and also it creates an independent labor court system.

The Mexican government is currently undergoing or actually implementing the labor reform which is staggered into three stages and we are definitely committed to making sure the workers have better conditions because that responsive to the inclusive USMCA spirit. The cases in which we have -- there's one case that has sort of been dealt with in the rapid labor response mechanism. I think has been an opportunity not only to work on our USMCA obligations but also to show that this is not only the commitment that we have under USMCA but it is also a way in which Mexico wants to evolve into this new labor employer relations.

And I think it's important to bear in mind that this labor response mechanism and this labor reform and USMCA commitments is a very important move hopefully forward in terms to creating better conditions for workers in Mexico and a more inclusive region.

Thank you.

MR. MELTZER: Thank you, that's important. We're going to pick up on this. I want to bring in Vic Fedeli and then Santiago, I'd like to call you into this conversation afterward. You wrote a chapter for the report on the impact the USMCA may have on wage

rates particularly in the sector that exports to the U.S. So you want to reflect on some of your findings there as part of this conversation, I think that might be helpful. Vic, over to you.

MR. FEDELI: Thank you, Joshua. I'll just take a second. You may or may not be here. I'm in the legislature. The bells are ringing so I've got to go vote so I'll log off for a few minutes. But with respect to the USMCA labor chapter I think, you know, really was an important development. Ontario like the rest of North America jurisdictions, we believe that a competitive economy would include safe and healthy workplaces. I think that's fundamental, I think that's acknowledged in this.

And so we're obviously very pleased that NAFTA 2.0 includes a very comprehensive labor chapter that has complete subject of settlement revisions in the agreement. I think that's a very key, very important aspect. I think that by building on the international labor principles and rights, the whole inclusion of such a chapter is going to help improve well actually raise and improve labor standards, working conditions I think in all three countries. So we're very pleased to see that.

MR. MELTZER: All right, thanks. You need to run. I'm not sure if we'll see you back or not.

MR. FEDELI: Yeah, I'll try to swing back. It's just across the hall. I'm in a little closet across from the voting hall.

MR. MELTZER: Okay great. We'll see you then shortly. Santiago, can I draw you into this conversation.

MR. LEVY: Certainly. Good afternoon everybody and thank you, Joshua, for inviting me to the panel. So let me try to offer a slightly different perhaps complimentary perspective on the labor chapter. You can think of it two ways. One way is the purpose is to increase the political acceptability of the agreement in Canada and the United States. And that is fine and that's an important objective and it will probably comply with that objective.

A separate issue is whether that labor chapter is going to increase average wages in Mexico. It is extremely unlikely that it will do so and that in fact it is more likely it

will do the opposite. And the reason is that the size of the labor force that is related to NAFTA in Mexico is way too small to make a difference to average wages in Mexico.

In fact, the problem with raising the cost of labor to the NAFTA related segment of the economy in Mexico is that that segment of the economy will contract relative to the rest of the economy. The rest of the economy of Mexico looks very different from the NAFTA related segment of the economy. This is kind of difficult to convey to sort of a Canadian and American audience but you have to think of a labor market in Mexico that has very different regulations and institutions from labor markets in Canada and the United States.

In Mexico, about 55 percent of the labor force, slightly more than that actually, works in the informal sector. It is not an issue of enforcement. It is an issue of the laws themselves which exclude a large segment of the labor force from regulations and minimum wages, unions and all that. So you have to think of wages in Mexico as a weighted average of wages determined in the NAFTA related part of the economy and wages determined in the rest of the economy.

25 years after NAFTA and this is one point I make on my essay, 25 years after NAFTA, wages in Mexico are not today than what they were 25 years ago. And despite NAFTA, the productivity gap between Mexico and Canada or the productivity gap between Mexico and the United States has widened. And the difference in income per capita between Mexico and the United States and Canada have also widened.

So to close, the labor chapter agreement might be very important and that's great and welcome to increase the political acceptability of the agreement in the United States and Canada. Whether that will increase average wages in Mexico, it is extremely unlikely that it will do so and in fact it is much more likely they'll do the opposite because the relative comparative advantage of Mexico vis a vie Canada and the United States will decline and the non-traded and informal part of the economy will grow relative to the absence of what it would have been without the agreement.



So it's not a nice conclusion, it's not a very, you know, sort of it's not what we like to hear but I just wrote the facts in this little note and I just put the numbers. And provide a little bit of interpretation as to why the numbers. I close, looking forward I think we would all be making a mistake thinking that the new agreement, NAFTA 2.0 or whatever we want to label it will make a big difference to wages in Mexico. It won't. The determinates of wages in Mexico are much more complex than the relations of trade with Canada and the U.S. I'll stop here, Josh.

MR. MELTZER: Thanks Santiago. And I can I just add a data point to that and please correct me if I'm wrong. One of your findings was that in the export-related sectors in NAFTA or USMCA (inaudible) we may see some wage increases but your point is the average wages is across the economy are unlikely to be affected.

MR. LEVY: Certainly what you will see with the -- if enforcement ends up being stronger and you basically change the bargaining position of workers versus firms in the NAFTA related sector of the economy. What you will see is that labor cost to NAFTA related firms are going to go up and wages in those firms will go up. But the share of total employment in those firms will decline. And the average wage is a weighted average of the wage in the NAFTA related part of the economy and the rest of the economy.

So it is consistent to have increases in wages in the NAFTA related sector of the economy which is fairly small in terms of employment. And at the same time, no increases in wages which is exactly what has happened in the last quarter century.

MR. MELTZER: Thanks, Santiago, that's very interesting. We don't have to move on from this topic, we can put a bracket around it for the moment. I do want to ask a question about supply chains now that we've got Vic back as well because this is clearly one area which matters enormously for North America. It's a huge part of what drives North American trade and investment and there's a lot going on in the supply chain.

We have on the one hand the administration's supply chain review. We have growing security concerns about supply chains that are increasingly exposed to

manufacturing and sourcing from China. We have a narrative building at least around Mexico as a destination for some reshoring of supply chains from China or southeast Asia. But at the same time, we've had also various supply chain disruptions. You wrote well about the impact of the border closure and the trucker dispute on that but we've seen that come up in other sectors as well.

So we've got a great chapter by David Dollar on the opportunities and challenges really for sort of realizing, I think, a reorientation of more manufacturing to Mexico. So I'd just like to ask a broad question about how you're thinking about the importance of supply chains in North America. What's your vision, what you think supply chains should look like going forward given this confluence of sinking more manufacturing in North America.

Plus the security dimensions which are now being laid over it and any comments you might want to make on the extent that USMCA can support this vision or otherwise may not support it. There are some arguments there particularly around what's happened with autos. So let me just open that question up and. Ed, you've got your hand raised and if you want to come in just please raise your hand or wave and I'll call on you. Ed.

MR. ALDEN: Thanks very much, Josh. You know, again just quickly. I think if you look at the excellent work that the White House team has done on supply chain review, the interim report last year and the new one that just came out a couple of days ago. I haven't had a chance to read all of the individual cabinet agency reports but there are sort of two impulses in there.

One is, you know, identifying critical supply chains that where possible, should be reshored to the United States. The second is the awareness that look that's not realistic that we're going to bring everything back home. We need to work closely with our allies. That first report I think coined the term friend shoring which I think is an important one.

And so, I think this is an opportunity in the North American context to really

work on friend shoring. On what does it mean to work with allies on developing more resilient supply chains in areas where we in North America believe it's critical for security reasons to do so. There's a good section in the new White House report on this but I was troubled by some of the exclusions. The section called working with allies and partners. And the section does mention the high-level economic dialogue with Mexico which is encouraging but then goes on to talk about the Indo-Pacific framework, the quad in Asia, the trade in technology, counsel in Europe.

Again, no mention of sort of USMCA or anything trilateral. No mention of the framework for partnership with Canada here. And so, I'm hoping that USMCA can become a way to think about this friend shoring problem. How the United States works with Canada and Mexico to try to create more resilient secure supply chains in ways that involve close cooperation with Canada and Mexico.

MR. MELTZER: Yeah, thanks, Ed. Luz Maria, over to you.

MS. DE LA MORA: Yeah, just very briefly three points. One is that is that USMCA offers what supply chains require. Free flowing goods and services, cost effective and efficient transportation services, seamless borders on prescriptive trade flows, security applications and general technology, cyber protections.

All of that framework that supply chains require in North America are set in USMCA. And we have seen that for example supply chain in the oil sector has been disruptive by the pandemic. But we have together tried to make sure that that regional chain works effectively by working with the private sector in solving issues related to trade facilitation, customs issues, border issues et cetera.

The second point is as already mentioned by Ed, the U.S.-Mexico high level economic (inaudible) has served to coordinate domestic efforts and getting input from industry in areas of opportunities and challenges. We have worked with the Department of Commerce, administrative economy to develop a work plan alongside industry in both countries on semi-conductors. And we have a number of sectors in line, for example,

(inaudible) and minerals.

And also currently, we are in the process of trying to work with Canada in some sort of supply chain infrastructure that we can work together with the U.S. understanding that we're talking about regional supply chains. We're seeing a lot of investments pouring into Mexico, especially in the manufacturing sector in the U.S. and Mexico.

Another point has to do with the issue of electric vehicles. We know that today there are some proposals for tax incentives in the U.S. to make sure that production of electric vehicles designed in the U.S. And we think that these kinds of issues are the ones that we also need to be discussed. We obviously support the transition to electric vehicles. We support the transition to zero emissions but we think that it has to be North America.

So we need to find a way in which these tax incentives are not only provided through U.S. manufactured vehicles but also for vehicles from all over the world. Because at the end of the day, what we're trying to do is to make sure that that supply chain is effective, efficient and that it does build the industry of the future. Thank you.

MR. MELTZER: Thanks. Vic, let me turn it over to you and then to Jayme White.

MR. FEDELI: Thank you very much. I want to pick up a little bit where Ms. Maria left off and where Minister Ng spoke about it as well when she talked about how we have deliberately integrated not only our regulations but our manufacturing in the auto sector especially since the auto pact. And she, Minister Ng, referred to the discussion of the exclusive EV and EV battery as a discriminatory practice and we would have to say, you know, considering that NAFTA 2.0 was agreed to just not all that long ago excluding the COVID period that this is a bit surprising in terms of the discussion.

Canada imports well actually it's 10 percent of the American autos that are manufactured, a full 10 percent are shipped to Canada. You know, Canadians would demand some kind of reaction to the passage of any sort of discriminatory build. And I

would say repeating something that we heard Minister Ng in an earlier speech, you can't have long term growth without working together and we would agree with her on that.

So again, I would say think about your partner in Ontario, think about your partner in Canada. I mentioned earlier that 9 million Americans wake up every morning to ship goods. 300 men and women in Ohio wake up every single morning to make products just to ship to Canada. We are -- we are linked when it comes to the auto sector. Ontario is the number two auto maker in all of North America, just behind Michigan. Ontario is the number two tech sector just behind Silicon Valley. Ontario is the number two agricultural producer in North America. We're the number two financial hub in North America. We're important partners with each other. Very, very important partners.

And I think that when we look at the NAFTA 2.0, I look at that chapter on the rules of origin and I think how that strengthens the three countries. When we see an increase from 62.5 percent to 75 percent over the next couple of years where parts need to be made in North America for use in North America. I think that's a very binding piece. It helps us grow and it helps us shore up our manufacturers, our North American manufacturers. So when we hear buy America, we would rather be hearing buy North America because we are that inextricably linked. Thank you, Joshua.

MR. MELTZER: Thanks, Vic. Jayme over to you.

MR. WHITE: I just want to reflect, this is a really thoughtful conversation in general and so thank you for hosting it. You know, on autos and the ties between our countries, it's clear that we're linked. I want to just emphasize that the EV proposal is a proposal it's not a law. It's not been passed, it's not been signed, it's an idea by some members of Congress.

But the members of Congress who put it forward do care strongly. So I understand your concern as a matter but it's not to say that that proposal can't be shaped and reshaped. And as you know, we don't have a parliament, we have an independent Congress and this came from the Congress where it stalled and pending.

The other thing is that, you know, we're linked on energy on as well. And the investments that American companies have in Mexico, Canadian companies have in Mexico or might be pending, you know, are threatened by the electricity law. And I really want to keep the focus on where we cooperate in USMCA, not where we have differing views. But we're going to have differing views and we just have to keep it in mind the context of the overwhelming cooperation that we have. But whether it's, you know, autos or it's energy there's going to be some conflict. But I do think there's a distinction between a proposal in Congress versus a law that's been signed into law. Thanks.

MR. MELTZER: Thanks Jayme, point well taken.

MR. FEDELI: Can I make a quick point on that?

MR. MELTZER: Yeah.

MR. FEDELI: The problem, Jayme, is the talk about it puts a chill on investment. And so investment decisions are being made today that affect two years, five years from now, that's the real issue. Whether it's a law or a discussion, that's the problem.

MR. WHITE: Yeah and we have a problem with the energy, the electricity law in Mexico in the same way but I understand your point. It's a good point.

MR. MELTZER: John, can I bring you in on this conversation.

RM. MURPHY: Sure. Just circling back a bit. You know, Undersecretary de la Mora I think started off this segment about supply chains with the right point on supply chains. At a time when there's so much discussion about supply chains, what can we do to get our supply chain snafus and tangles ironed out, there's really nothing like a trade agreement like USMCA to be the remedy for those ills.

I think over the past couple of years as supply chains have gone from being an obscure subject to something that we're all talking about at our dinner tables we've seen a lot of initiatives from different governments to say like, you know, what can government do on this front. You know, it's definitely removing the boring old 20th century trade barriers of tariffs, rules like SPS and TBT. On and on through the different chapters of a trade

agreement like USMCA, this really gets you 90 percent of the way in terms of the perspective of many of our member companies to working those things out.

These supply chain issues are going to continue to be a challenge for the U.S. economy and people in other countries as well. Here in the U.S., a large share of them are a function of the robust pandemic support that the U.S. government provided where we actually saw poverty fall. Where we saw households with lots of spending power, where we saw households redirect spending into tradeable goods and away from services during the pandemic. All of which led to this huge surge in trade and a huge surge in imports and our ports, I think we're now seeing there's been an underinvestment in it.

I think understanding that trajectory which accounts for a lot of the problem of what we've seen in supply chains, you know, it's challenging to find what government can do on many of those issues. And so, I do come back to the virtues of a trade agreement like USMCA as playing a critical role as we try to work through those other issues. Some of them, you know, they're work force issues, you know, we have a worker shortage in this country that's extreme. There's not one solution to it.

You know, my boss has called for a doubling of immigration, of legal immigration in this country. We've called for measures to facilitate the movement of the recently incarcerated back into the work force. There's a lot of work force preparation things that both government and the private sector do that I think have a role to play to get more people back into the work force. All of that can help with supply chains. And a lot of those things are really domestic but there are these other issues as well which as three countries working together we can do.

MR. MELTZER: Thanks, John. I've got a couple of follow ups but I want to bring in Luz Maria into this first.

MS. DE LA MORA: Yes. Just to make a point to what Ambassador White was saying. It is true that we are going in a discussion of electricity reforms here in Mexico but this is as well an initiative. It's being discussed in Congress and we're listening. We're

listening to the private sector who just had a couple of weeks of an open parliament where companies and different actors, stakeholders have been able to express their concerns. And those that contribute I'm sure will be considered by Congress and we will make sure that at the end of the day what we need to have is an electricity sector that is sustainable and that can offer the kind of energy that industry requires. Thank you.

MR. MELTZER: Thanks. One of the things just staying on this supply chain issue for a moment. I do want to expand the horizon a little bit beyond USMCA to think about the firstly one of the things that is clear from the report. And this is usually pretty well understood is that businesses across North America, a source within North America but they also sought globally tried to produce more competitive products and trade agreements obviously can underpin that and support that process.

And one of the observations that comes out of the supply chain chapter by David Dollar is the role of access to products in Asia, not only China but a lot of other parts of Asia as well. But the absence of the U.S. from robust trade agreements in that part of the world, Mexico and Canada part of the CPTPP and so forth. So just sort of looking beyond USMCA but thinking about the implications for North American and maybe I'll just ask this of you, John, initially. You know, your perspectives on sort of a broader U.S. trade policy that can support, you know, USMCA manufacturing and supply chains.

MR. MURPHY: Well it's a good broad question and I think in many ways, the circumstances of the world today are favoring this. You know, it's we still have between the United States and China, you know, ongoing tensions. We have the tariffs that were imposed on more than \$300 billion worth of imports from China that are still there. Meanwhile, China's development has continued, wages are rising in China and all of the port congestion and other issues that we've talked about also add to the complexity and cost of trading across the Pacific.

All of that really should favor very significantly investment and trade here in North America. I do think that in terms of, you know, a checklist of things that we should be



working on, I would circle back to really the top of the program and the question of enforcement. We have this well negotiated agreement with good terms in it and what the parties to it need to do is just comply with what we've committed to in it.

And for all of us, there are things to think about here. You know, to start with, the U.S., you know, Canada and Mexico have brought a dispute relating to what they regard as an overly strict interpretation of rules of origin which is very important for the auto sector. You know, that will be going forward here. Looking to the north, you know, there's the dairy dispute and I know the governments are talking about that right now. That Canada was found to not be in compliance with its obligations under USMCA and there's also the issue of a digital services tax which Canada appears to be moving forward with which we believe does not apply with the commitments of the USMCA and WTO. I believe USTR recently put out a statement saying the same.

And then Mexico there is considerable concerns on a number of issues, particularly in the energy sector was mentioned. The electricity reform experts in not just in the United States but in Mexico including people who were involved in negotiating USMCA are of the view that it violates commitments Mexico undertook in the USMCA but there's other areas as well. Biotechnology approvals, there's a campaign against imported food products. Quotas for audio visual content, issues about marketing authorization for pharmaceuticals. We have a lot to talk about here and earlier there were comments about the high-level economic dialogue but across the board, I think what the business community wants to see is the three parties complying with their obligations under USMCA.

MR. MELTZER: Thanks. Certainly a lot to work on. One of the things that I think comes through in the report and everyone has touched on to some extent here today is this notion of building complimentary policies that can support, you know, support outcomes in USMCA. So, you know, whether it's around the opportunity for Mexico to do more in terms of its competitiveness and the complimentary policies that may be needed in terms of work force or logistics. Whether it's Santiago, you made the observation about the need for

complimentary reforms to the labor market which would strengthen outcomes that USMCA is seeking to retrieve broadly in Mexico and so forth.

So I guess I want to turn to how do we think about creating the space and the momentum to build these complimentary policies to support the direction that USMCA can point our economies in. And it's a fairly broad question about leadership and creating space for the opportunities to really make sure that USMCA delivers. And I want to turn it over to the panelists for any input on that part.

MR. ALDEN: Yeah so I, you know, I have one idea and recognizing its challenges and certainly goes beyond USTR. But one of the things that we have seen in the pandemic is the rise of remote work. And I think we're pretty confident that this is going to be a lasting change. Obviously, people won't be working in the numbers we've seen during the pandemic but more and more companies have been announcing to their employees that they're going to have a choice of, you know, remote or hybrid or in the office. A lot of companies searching for talent are saying, you know, you can work in these 8 different places in the country.

What about an initiative that looked at how to integrate some of this stuff across borders? Right, I mean there's no reason that you couldn't have, you know, an employee in Toronto or Mexico City working for a Silicon Valley company or someone, you know, living in Denver working for a Vancouver based company or a Tijuana based company. There are issues to sort out there primarily on tax and where this fits in terms of our understanding of immigration and work laws.

But I think the jurisdictions that figure this out more quickly are going to have a real competitive advantage because they'll be very attractive places for companies to locate. Because companies will have a bigger pool of people continentally that potentially they can recruit from. I mean we're talking here higher end jobs that you can do remotely. I realize this is not, you know, across the board. But that would be the sort of initiative, you know, that would put North America out in front on a really critical issue going forward.

MR. MELTZER: Thanks. That's a great initial idea. I can see a lot of opportunity and challenges there but that's exactly what we need. Does anyone want to come in, respond to that or any other ideas on the complimentary policy part that is needed to support outcomes for North America or USMCA. Santiago.

MR. LEVY: Thank you, Joshua. I use the word complimentary here not necessarily in the context of the three countries but also in the context of domestic policies. And there from the point of view of Mexico, there is a large space for policies to actually try to change outcomes. Again, I just want to reiterate that what we have learned over the last quarter century. Is that the free trade agreement that Mexico signed with Canada and the U.S. plus others that we signed with other countries were not sufficiently powerful to change other forces inside the Mexican economy that tend to depress wages.

So the lesson here is not so much for the three countries as a whole but for Mexico in the sense that other things need to be done within Mexico if you want wages to go up and if you want productivity to go up. And if the country is betting that this will be delivered by the new USMCA, it is making a losing bet.

So the word complimentary has to be broadened and it's important to put this in the context of the dialogue because we speak about the North American region and the integration of the North American region. But that hasn't happened and that's not going to happen unless policies are broadened beyond trade and investment to look at domestic impediments for productivity growth and for better functioning of labor markets. So that's beyond the realm of what U.S. and Canada can do except that if it's put in the dialogue, it broadens what the policy options need to be to move ahead. Thank you.

MR. MELTZER: Thanks Santiago and I'm completely aligned with your set view on thinking about this not only in terms of trilateral cooperation but what each country needs to do domestically in order to essentially, you know, improve their own competitiveness which plays into the trilateral trade investment. I think the infrastructure bill in the U.S. is say another good example of where this should support better outcomes for

the U.S. but also for North America. Anyone else on this issue of domestic complimentary policies. Luz Maria, over to you.

MS. DE LA MORA: Thank you. Yeah, I think that Dr. Levy has a very good point and I think that we understand and completely agree with what he's saying. USMCA is an instrument to other -- to try to accomplish some results and, of course, we are very well aware that there are many things that (inaudible) Mexico. However, USMCA does provide a framework for certain areas. For example, digital economy, the technologies of the future, the outflows and all that. That's a very important question. Questions related to competition and many, many others.

Specifically in the high-level economic dialogue, currently we are working on four pillars, border issues to make sure that we can offer a more competitive border. A seamless border that provides for security but at the same time, provides for higher competitiveness in North America.

The second one has to do with the development of the south upper country investments going to the south part of the Mexico and also to the three countries of North and Central America which we understand. They need to have more investment in terms of infrastructure and many other areas for the south of Mexico to be integrated into the north and central part of Mexico and have more (inaudible).

Human resource development, the work force development which we're working together with Canada and the U.S. in a competitiveness meeting and also the industries of the future. So we have a set of areas in which we are working together but they will also impact very importantly in terms of making Mexico a stronger partner for North America. And I apologize, Josh, but I have to go and I appreciate the opportunity of being here today. Thank you for having me.

MR. METLZER: Absolutely. Thank you so much for your time. It's been great to see you. Jayme.

MR. WHITE: Yes. I think that alludes to the comments and, you know,

we're going to be partners in this for a long time. And I have to jump as well but look forward to the continued dialogue with everyone about USMCA and North American trade and trade around the world and supply chains as well so thanks.

MR. MELTZER: Thanks Jayme, very much appreciate your time. Great to see you. Let me -- there's two topics I want to touch on before we draw this panel to a conclusion which are topics which are addressed in the report and they've come up throughout today's event. Which is firstly around digital and the other one on the environment chapter and around climate change.

Let me just bring up the digital chapter because Minister Ng mentioned it in her remarks about the opportunities of digital, particularly for small businesses but across really Canada. It's arguably the most comprehensive and ambitious chapter on digital trade in the NAFTA that the U.S. has negotiated to date and is a huge change from NAFTA for obvious reasons. It was around at the time when NAFTA was negotiated so an important development in that space. I'd just like to open it up to the panel around how they see the opportunities in the digital chapter, what needs to be done to take that chapter and make it meaningful in terms of some of the outcomes for industry. John.

MR. MURPHY: Thanks, Josh. You know, agree with your takes there. It's an excellent chapter in many ways superior to what was in say the TPP or other trade agreements. It has big implications and that holds for small businesses, for all kinds of service providers. It's really not just about big tech companies. So, you know, I think what's useful to look at is just what a revolution is under way on digital trade in the United States and around the world today.

The ITC has estimated that something like two-thirds of all services today can be traded digitally. And you also see that worn out in the trade data. You know, UNGSTAD says that global trade in services is growing twice as fast as goods trade and it's the digital theme that's going on here.

There are well over 20 million Americans in services sectors that can benefit

from digital trade but the potential is barely tapped at this point. You know, it's 1 in 20 of these enterprises is an exporter today whereas I think 1 in 4 manufacturing facilities is an exporter today. And it really matters a lot for small business because the digital revolution is already brought about in innovations like digital advertising for instance.

You know, you go back 25 years to when the NAFTA was new. You know, in America small business trying to figure out how to export and, you know, Canada or Mexico would be a good place to start. You know, they're right next door, countries that we know pretty well. But how do you reach customers and today you can do targeted digital advertising, you can do it really quite economically. You don't have to worry about getting paid the way that you used to 25 years ago thanks to digital solutions. There are all kinds of service providers that can take care of all the mysteries of customs fulfillment.

All of that matters a ton to small businesses and I think it's why you're seeing, you know, small businesses in I think all three countries are starting to export more. They're also starting to export to more countries, you know. They used to just export to one or two new countries but now they're doing it to many. So the virtue of something like the USMCA digital trade chapter is that it's a commitment to not raise barriers to that.

But it stands, I think, as an example that other countries around the world will adopt in new digital trade agreements. And that can be just, you know, a powerful tool for companies in all kinds of sectors to get into the game on trade where it wasn't really possible before.

MR. MELTZER: Thanks, John. Vic, over to you.

MR. FEDELI: I think certainly Ontario welcomes this whole initiative. It's a very strong response to the rapid growth that we're seeing in digital trade. I think what we like about it is the balance that it strikes. It strikes sort of two things that come to mind. Openness and regulations. So it balances that need for the whole openness in a digital trade but it also brings in the need of governments in our opinion to regulate things in the public interest. And, you know, you have to have consumer confidence in these issues. I

think this is striking the right balance and we were very pleased to see that whole ambitious outcome on digital trade be entered into.

MR. MELTZER: Yeah, I think that's actually a really great way of framing the digital chapter is this balance between openness of data flows and also getting the regulatory space right. This I think is a crucial issue and I guess I want to open this up with a follow-on question. Given the integration of North America and the digital integration and we can talk about this not only in terms of I imagine it's a big opportunity for small businesses to get on to. In fact, great Canadian platforms like Shopify, for instance, you know, are doing a lot of work here. So it's not just the U.S. tech sector which is getting large.

MR. MURPHY: I think that's actually an Ontario company, isn't it? Sorry got to get that in there.

MR. MELTZER: No, no absolutely.

MR. FEDELI: Not only that but one the Ontario government invested in to help them get started.

MR. MELTZER: And just one of many examples I think but the regulatory piece is crucial right. In particular, you mentioned trust and so privacy is a core part of that. Do we need to be doing more on a dialogue around some of these sorts of digital issues that heap regulation whether it's privacy, cyber security I think is another core area where there is actually some built in commitment to cooperate in the chapter but it's really quite a nascent beginning there.

But cyber security is one issue that affects companies and industries across North America and you can imagine others. So I just want to open it up to how we see that regulatory piece playing out and what we imagine whether we need to do more in that space to align and cooperate on the regulatory front.

MR. MURPHY: Josh, I'll just jump in quickly. I think that the ongoing dialogues whether it's in the trade commission under USMCA or bilaterally under the HLED

with Mexico and the ongoing trilateral summits. It's really useful to talk about all of these issues. I think from the business community's perspective we have the trade discipline which is a commitment to keep our economies open to digital commerce. But that co-exists with privacy rules and different countries have different approaches to this.

I think what officials and business need to understand is that those rules have to co-exist and if data crosses a border, you know, the privacy obligation is still there. And I think similarly on cyber there's been good work where in dialogues around the world are sharing best practices and approaches here in the U.S. that NIST is the leader on. And, you know, having adopting risk-based approaches to cyber security, there are templates that I think it's international dialogues about how to promote these is important. So all of that is I think complimentary to the trade rules in USMCA.

MR. MELTZER: Well-put. I'd like to turn to the environment chapter which we haven't really discussed. Again, Jim Bakker is a former member of Congress, former WTO appellate body member, wrote this chapter. He's one of the world's foremost experts on the trade and sort of environment climate intersection.

And while there is not mention of climate change in USMCA and certainly not in the USMCA environment chapter, you know, the argument he makes is actually a lot in that chapter where we can make progress on climate change. He identifies a couple of areas. One is on trade and clean technologies and building clean technology supply chains. Another area is that there are actually elements where there are commitments coming out of the chapter which matter for climate change. And more broadly, it's a mechanism for cooperation and dialogue which we can build on.

So I just want to, given the importance of this issue particularly for this administration, certainly in Canada as well, how we think about this intersection between these issues and what we do in this space and what we do in the USMCA context.

MR. FEDELI: I'm just gathering my notes. I have to speak in the legislature in a couple minutes so I'm going to log off shortly. I would support the shift to the green



economy. You'll hear lots of news certainly in the auto sector as well, in the steel sector, in the battery, electric vehicle battery sector. You will see the province of Ontario just made a half-billion-dollar investment in metals in AMD Dofasco Steel facility in Hamilton. A half a billion dollars so they can make green steel.

We believe that an electric vehicle can't just be called an electric vehicle, it needs to be a green vehicle and that means the batteries should be made with clean energy. That means steel should be made with clean energy so AMD Dofasco, they will be removing burning furnaces. Ontario got out of making electricity from coal some years ago. So you'll see Dofasco now moving from coal fired generation to make steel to electric arc furnace. So they will be making green steel. 40 percent of their product goes into automobiles.

You'll see us make electric vehicle batteries from Ontario's clean energy. Our energy is 94 percent clean. We don't burn coal here as I said. A battery manufacturer can have 100 percent green clean energy with a few little twists and turns. So we believe in the whole shift to the green economy but we take it seriously that an electric vehicle should have all the components to be green in it as well. I hope that gives you a little perspective.

MR. MELTZER: That's extremely helpful, Vic and we've actually got a couple of great info graphics in the report on the share of electricity in Canada that's actually green and renewable. And trading electricity across borders is one way of greening the North American electricity system so that's a point well taken. Thank you so much for your time.

MR. FEDELI: Thank you so much.

MR. MELTZER: Great to see you. I think there are ways but I didn't know if Ed or John wanted to come in on the climate environment intersection.

MR. ALDEN: I mean I think the only thing I would add is on the trade policy front. I think a lot of this is going to be driven by the European Union and their initiative on, you know, border adjustment taxes depending on carbon content. And so, I think one of the

interesting things will be whether the U.S. and Canada and Mexico all kind of respond to that deal with that separately with the Europeans or whether there is some potential for a more unified position in North America. I don't really know the answer to that. But I think more of this is probably going to be driven from Europe than it is from North America and we're going to be more in the role of responding and adapting to that.

MR. MURPHY: I would agree with Ed that the EU is certainly out in front on this. You know we saw in Congress last year, a proposal for a carbon border adjustment. But in the end, its proponent's kind of shelved it for the time being. Really the main reason they did it is if the United States doesn't have a domestic price on carbon, we don't have a carbon tax, we don't have a cap-and-trade system unlike Europe and I gather Canada.

So until you have that, you don't have something to adjust at the border. So the ground is moving on these issues. You've seen organizations like API, the America Petroleum Institute's work, you know, some kind of a price on carbon. You know, my organization says we need a market-based mechanism to approach these issues. So you have to tackle it domestically before you start adjusting it at the border.

As for USMCA and it not being in there, you know, sometimes I think we expect too much of our trade agreements and we want them to solve every ill under the sun. And, you know, perhaps that ties back to Santiago, one of his comments earlier about, you know, how USMCA and trade alone are not, you know, going to comprehensively raise wage levels in Mexico, you need a whole host of policies to steer the economy.

MR. MELTZER: Yeah and I think I want to come back to the climate piece but at this point I think it's crucial and it's somewhat behind the conversation we had about the need for complimentary policies. I see that there's been a tendency to over rely on trade policy both as a source of a lot of domestic concerns and as a solution to them. I think they're important tools for moving the dial but in the absence of supporting polices, there's only so far they can go. And I think Santiago's observations and work around what is needed in the labor context in Mexico is crucial.

But if we look at supply chains and competitiveness broadly, we need other complimentary policies which can sort of build momentum that USMCA can then use to achieve these goals. The border common adjustments piece, I just want to come back to it briefly because Canada doesn't have a BCA in place but they are, I think moving in that direction. There's been a lot of work domestically in their government.

And so I think, you know, this is one of the issues we look at a little bit in the report which is this importance, you know, of aligning around a BCA to make sure. It would make no sense for Canada to do a BCA on its own given the integration. I mean the cost would be enormous but your point, John, about the challenges of getting there I think hopefully you're correct about the trajectory, you know, towards some type of carbon price eventually which would translate I think into a need for a BCA in order to avoid leakage and so forth. But we're not there yet clearly in the U.S. at least and Mexico I don't think is there either.

So I think this seems to us at least to be one area where given the trajectory, given where Europe is but I think also where Canada is heading certainly faster than the U.S. at the moment that we need to be careful that this doesn't become a trade issue and that it's actually one we can work together on to actually build climate momentum.

Let me, I'm going to take this opportunity to draw this discussion to a close. So at first, I want to thank the panelists that are remaining for your time and your contribution and the conversation has been a very rich one. I think it sort of really revealed frankly that this huge opportunity for cooperation, collaboration and these are incredibly important but I think also that we need to be clear about the challenges. And all panelists have spoken in various ways and they are understood and going to be part of everyone's attention I think over the next 12 months certainly.

I want to thank again, you know, Minister Ng for her time and her comments. I want to thank John Allen and Paul Dimora and Pablo Gonzales for their leadership support and their comments as well. And I would like to finish by saying that

we've all got a lot of work ahead of us and it's clear that progress is going to require partnership between the three countries.

And not only working government to government but very much in partnership with colleagues, officials, industries, civil society across the U.S., Mexico and Canada. We certainly here at Brookings look forward to working with everyone to realize a possibility of how USMCA can deliver for North America. And with that, I'd like to say thank you everyone for participating.

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