

THE BROOKINGS INSTITUTION

WEBINAR

OPPORTUNITIES TO STRENGTHEN AND EXPAND
SUPPLY CHAINS IN NORTH AMERICA

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P R O C E E D I N G S

MR. MELTZER: Well, let me welcome everyone to this Brookings hybrid event. Hybrid, great to see people in person. We've got about 600 people apparently online so, you know, this is the future I think of Brookings events but it's always great to see people in person. And we are going to discuss opportunities and challenges to strengthen and expand supply chains in North America.

We've got an excellent panel. I'm going to introduce them shortly. Again, a hybrid panel in person and online as well. But I want to make a couple of quick opening remarks, set the scene, I'll then introduce the panelists and we'll get into the event and the conversation.

So first I just want to make a couple of observations about why we have supply chains today. I think for many of you in the room it's fairly self-explanatory. About three-quarters of world trade is driven by supply chains, the movement of intermediary goods and services that are used to produce a final product.

Supply chains enable certainly greater efficiency, opportunities for businesses to source low-cost, best in class inputs, specialization in production, and overall increases in productivity. And supply chains, certainly in the North American context, have been a key driver of trade. This has been underpinned in many respects by NAFTA, and now USMCA, zero tariffs policy certainty that the agreements provide and have been a bedrock to the development of important supply chains. And that includes in areas such as aircraft parts, automobiles, medical devices, to name a few.

Let me just give you a couple of figures to give you a sense of the significance of supply chains in North America. In the United States, just to take one example, about 50 percent of imports of auto parts come from within the region, within North America. In Canada, that's almost about 70 percent of imports of medical devices are sourced from within North America. And in Mexico over 50 percent of the imports used in the production of aircraft parts are sourced from its USMCA partners.

Services also play an increasingly important role in supply chains, allowing manufacturing activities using telecommunications, transport, finance, logistics, are used within manufacturing such as in R&D, design, and engineering. And increasingly we're seeing services sold along with the manufactured goods, whether it's repair and maintenance, but also increasingly the opportunity for data gathering and analytics to improve the value of the manufactured good and what it can do.

Since the pandemic we've certainly seen a renewed focus on the risks that are presented by global supply chains. Certainly, COVID revealed vulnerabilities in our critical supply chains and, as the United States, and the world really, emerged out of COVID, supply chains in many respects failed to deliver the goods, literally. We had bottlenecks at ports, we had a lack of components, we saw the shortages in semiconductors and its following effects into the auto industry. And all of this has also contributed to inflation.

Another related issue has been the tension and the strategic competition with China, while relying on China at the same time as an important source of manufacturing and sourcing. Indeed, North American trade with China is large and continues to grow, particularly in the types of intermediate goods that are used in North American supply chains.

So, to pick up on some of those examples, when it comes to aircraft parts for instance, whereas the U.S. source almost 4 percent of imported aircraft parts in 2019, which is up from 0.6 percent in 2000, auto parts from China used in the United States manufacturing sector have increased from 1.6 percent approximately in 2000 to over 13 percent in 2019.

I mention this to underscore that the role of China in North American supply chains is important. And it certainly also reflects its manufacturing size, which is about 20 times that of Mexico in value added terms. So, any discussion today and going forward about strengthening supply chains in North America must also account for this reliance on sources of imports from China but also Asia more broadly.

Now there's been lots of important work by the Biden administration to address supply chain challenges and opportunities. I'm sure that Juan and other panelists are going to get into this in more detail so I'm just going to telegraph a couple of highlights here. We've had the 100-day supply review, supply chain review last year which underscored the need for resilient supply chains that are critical to national economy and technological security. Where four areas were identified as being particularly critical in semiconductors, large capacity batteries, critical minerals and pharmaceuticals.

The administration set up a Supply Chain Disruptions Task Force to tackle immediate supply chain bottlenecks. In February this year we saw seven government agencies publish a report identifying key weaknesses in critical supply chains and strategies to address these weaknesses. And significant this year we've had a range of legislation which has included funding, which could have important implications for developing supply chains in North America.

And this includes the infrastructure bill and funding with respect to the battery supply chain, Inflation Reduction Act and the tax incentives for electrical vehicles assembled in North America and which contain critical minerals processed in the country, which the U.S. hasn't yet an FTA or recycled in North America, and the CHIPS and Science Act with its funding for the semi-conductor manufacturing sector.

Now these developments in U.S. policy, international relations and trade raise a complex series of questions for the United States, Mexico, and Canada, as well as the role of USMCA in this discussion. And I just want to raise a couple, some of these issues, and we can get into this in a lot more detail in the Q&A.

So, the focus on supply chains is also obviously a focus on manufacturing. It's often about manufacturing at times in the U.S., yet supply chains are by definition about manufacturing imports that come from outside the United States as well.

Now there's certainly a recognition by the administration of the importance of working with allies and international trade in strengthening supply chains. So, it really

raises the question I think of how much the U.S. should be relying on international trade as a driver and source of supply chains, who the United States should be trading with when one thinks about resilient supply chains. We need certainly to discuss this in the context of North America, but who else should be part of this discussion?

The focus on supply chains is also not singularly only about jobs, it's also about resiliency and security which widens the aperture and certainly the policy issues at stakes. So, where's the debate at times has been between the goals of operational efficiency and competitiveness, we are now also weighing the importance of these other factors of resiliency and security. What do we mean by resiliency and security in this context? For instance, when supply chains are global and disbursed does it increase or decrease resiliency and security? Does it depend on who we are trading with? Will it depend on the specific supply chain and the product? Which goods and services really matter and should be manufactured only locally or regionally?

Another dimension to the supply chain and national security link requires us to work out when national security is strengthened by manufacturing locally and when security can be strengthened when manufacturing is more globally disbursed and relies on supply chains. This is part of the view that trade creates prosperity and interdependence, can reduce scope for conflict.

In any event there's a lot of complex issues here to get into. I look forward to this discussion with the panelists. I'm going to introduce the panelists in the order that they are going to provide some short opening remarks. I'll introduce them in that order and then we'll enter into a moderated Q&A after which we will, towards the end, also open up to questions from the audience here.

We have some questions which have also been submitted already online and so we'll be referring to those questions as well as we go through this. And Juan has a shot in the 2:30 so, you know, we'll accommodate the questioning for that as well.

So let me introduce Juan Sebastian Gonzalez, who's special assistant to

the president and national security council senior director for the Western Hemisphere. Prior to joining the administration, he was a senior fellow at the Penn Biden Center for Diplomacy and Global Engagement. And in 2017 was appointed by Senator Chuck Schumer to serve as a commissioner on the Bipartisan Congressional Western Hemisphere Drug Policy Commission.

During the Obama/Biden administration, Mr. Gonzalez served as deputy assistant secretary of state for Western Hemisphere affairs where he led U.S. diplomatic engagement in Central American and the Caribbean. From 2013 to 2015 he served as special advisor to Vice President Joe Biden, during which he accompanied him on various visits to Latin America and coordinated the launch of the U.S./Mexico High Level Economic Dialogue, the Caribbean Energy Security Initiative and the Alliance for Prosperity in the Northern Triangle of Central America.

Juan has served as national security council director for Western Hemisphere affairs from 2011 to 2013. And prior to his service at the White House, he served in a variety of positions in the State Department's Bureau of Western Hemisphere Affairs, including chief of staff to Assistant Secretary of State Arturo Valenzuela.

Luz Maria de la Mora is undersecretary for foreign trade, welcome, great to see you online there, at Secretaría de Economía. She holds a Ph.D. from Yale in political science and 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 as head of the International Negotiations Unit in the Ministry of Economy. She was also part of the negotiations team of the North American Trade Agreement and has been Advisory for Foreign Trade since 2018. Glad to see you again, Undersecretary.

And for those who have had a chance to read the USMCA forward report which we put on on 2022, she also contributed a very important forward to that discussion as well.

Goldy Hyder is president and CEO of the Business Council of Canada.

Previously he was president and CEO of Hill & Knowlton Strategies, and earlier in his career he served as director of policy and chief of staff to the Right Honorable Joe Clark, former prime minister and leader of the then Federal Progressive Conservative Party.

Goldy serves in many charitable and non-profit organizations and he's also the host of the Speaking of Business podcast which features interviews with Canadian innovators, entrepreneurs, and business leaders.

Alan Bersin, also online, welcome Alan, is the inaugural senior fellow in the Homeland Security Project at the Belfer Center at the Harvard Kennedy School, and a global fellow and inaugural North American fellow at the Woodrow Wilson International Center for Scholars. Alan was appointed by President Obama as U.S. commissioner of customs and border protection, and from 2010 to 2011, and served at various times as assistant secretary for policy and international affairs, and chief diplomatic officer for the U.S. Department of Homeland Security.

He served previously also as United States attorney for the Southern District of California and the attorney general southwest border representative in the Department of Justice. He's currently also executive chairman of Altana, the company using AI to model global supply chains, and he's a senior advisor of the global Law Firm of Covington & Burling. Welcome, Alan.

So, I will take a seat now, Juan, if I can turn it over to you.

MR. BERSIN: Thank you for having us and organizing this. I'll start off by saying to all those of you who have toiled in solitude on supply chains before the pandemic, this is your moment. We thought before the pandemic that everybody was going to be talking about the supply chain. A lot of people talk about supply chain, they don't really understand what they, but they know they're important. But I think it's great to be having this conversation. I myself am not I think, an expert as others of you are on this issue but I understand kind of national security components. So let me maybe focus on that a little bit.

We were just in Mexico yesterday with Secretaries of State Anthony Blinken

of Commerce, Gina Raimondo, Ambassador Jayme White was a deputy USTR, to have a second meeting of the High-Level Economic Dialogue and really dive into some of these issues.

And before I get to that I think it's important for us to I think kind of step back and look at not just the infrastructure legislation that was passed by this administration but also the CHIPS and the IRA Acts, is really kind of a once-in-a-generation levels of investment that the United States is doing. And it shows that the president's really following through on commitments to focus on revitalizing U.S. competitiveness by virtue of really strengthening the U.S. economy, revitalizing U.S. leadership, global leadership, and bolstering really our alliances and partnerships around the world. I think a lot of that really rests with North America's I think indispensable economic platform for the United States.

There's not by mistake that when we first started sharing vaccines with our partners there was a decision that if our friends in Canada and Mexico were not really coming back from the pandemic, United States will not come back. And I think similarly the efforts of this administration to invest in working families is really made better when we work very closely with Canada and with Mexico. I mean it kind of bears out from a decision made in NAFTA that you had three very kind of nationalistic and protective countries made this decision that there was a better future in us really collaborating. There have been debates around this, but I think when you get to the question of supply chains, we see I think an amazing opportunity in cooperating with Canada and Mexico.

Now going to Mexico very quickly, and I know you said two to three minutes. I want to just list out without sharing talking points that I'm sure you all have read about. So, the High Level Economic Dialogue, when we kind of put it back together, it was launched in 2013, kind of went into inactivity for a number of years. And when we revitalized it, similarly with our efforts with Canada, in the first year the administration recognized we need to put together the scaffolding of really institutional cooperation with our key economic partners, Canada and Mexico. So, we restarted the High Level Economic Dialogue, launched a

supply chain working group that focused really on semiconductors and ICT. In some ways I think by virtue of our cooperation with Canada as a part of the kind of the defense industrial complex, they benefit from the Defense and Production Act, we're much more advanced I think with Canada.

And so, our supply chain working group is not just on security and resilience but it's on electric vehicles, it's on electric batteries, critical minerals, medical devices, defense and ITC issues because it's a much broader array of areas of cooperation.

Nonetheless, the, you know, the Chips and IRA Act are going to facilitate something like \$200 billion in investments. And the companies that heard Secretary Mundo talk about this, when you talk to companies, they say around 10 to 15 percent of that is going to go specifically to supply chains because companies are making these decisions that as a result of the pandemic, Russia's invasion of Ukraine, people want their supply chains closer to home. And so, some of these companies are deciding right now whether they're going to go to Vietnam or whether they're going to go to Mexico or they're going to go to Canada.

And so, we're in this kind of window, a sweet spot, where we need to very quickly to align a number of areas, Joshua, you kind of laid out very well.

For us I think, with Mexico I think, notwithstanding I think what folks will see in the press about disputes and disagreement, what we have seen, and if you actually look at this, Brookings has written about this as have others, is we've actually been taking concrete steps on not just security and on migration but on the economic front. We are making serious steps to continue with that cooperation, notwithstanding areas where we may disagree with Mexico.

I think that said, where there is an opportunity there's also I think an opportunity cost. And I want to be very candid here is that in some ways Canada is very much, I think farther ahead of Mexico in how they've I think been able to align not just how they look at issues of tax incentives, how they collaborate with the private sector, how

they've been investing in human capital is something that I think in some ways more advanced than the conversations we've had with Mexico.

But I'll say I think a lot of credit to my colleague, Luz Maria here, is these are conversations we're having with Mexico as well as say how can we align as well. Because there are areas where the United States is most competitive, certainly the priority here for the president, for the administration is to focus on involvement of an electric vehicle market in the United States. But I think comparative advantage that Canada will have and ones that Mexico will have, and that ultimately for us we recognize that we will do much better if our colleagues in the North and the South are really making the investments and are aligning on regulatory issues on the same incentives, on the consultations with the private sector, with the same level of urgency that the president has really taken to these issues in the United States. Thanks.

MR. MELTZER: Great, thanks. Undersecretary, if I can turn to you now.

MS. De La MORA: Well, thank you very much. It's a great honor to be here with you today. I wanted to thank the Brookings Institution for inviting the Minister of Economy to participate in this very timely forum on supply chains.

Well as Juan was mentioning, supply chains have been disrupted as a result of many events that we had never factored in, which are related to the effects of the COVID-19 pandemic, the disruptions in the logistic chain. All of a sudden, we realize how integrated we are, how global the economy is, and how much we depend on each other.

In addition to that, more recently the Russian invasion of the Ukraine, the tensions that we have been leading as a result of the trade differences between China and the U.S., have had a huge impact on the operation of these supply chains. All of a sudden everybody is talking about supply chains and everybody's talking about how important it is to have resilient and competitive supply chains.

So, in this respect we have also seen that the effects of the global operations of manufacturing are having very concrete local effects. They're having effects

on the income of people, job opportunities, challenges for SMEs, and in general the welfare of people in addition to the impacts that we're seeing today on inflation. Inflation levels that are historic in terms of the percentages that we're seeing these days.

We're also seeing how the supply chains are affecting jobs and the labor markets, as they're under very serious pressures, salaries perhaps spiral while at the same time we are seeing scarcity of the right human capacities, the talent, the human talent that we need to address these supply chains.

So, this very challenging scenario that we have in front of us as a result of all these events that we're going through. This doesn't mean that we're seeing the end of globalization. It does mean a substantial transformation of supply chains. And I think that what this forum begs us is to analyze the opportunities.

There are amazing opportunities for the whole world and for North America to strengthen and expand supply chains. And let me just be very brief about these unique opportunities that we have in North America and how we have tried to channel them and address the challenges but also the opportunities so that we can actually seize the moment for the benefit of everyone in the region. How do we intend to do this?

Well first of all we have USMCA. USMCA started operating in July of 2020, basically a few months after the pandemic started, and in the middle of very challenging times where we were closing activities, we were confining people, we had to redefine what essential activities are in North America, and this is part of the work that we are doing. But nonetheless I have to say that USMCA did provide us with a set of rules for trade and investment integration in the region. And it also offers a network of institutional mechanisms where we can have a very permanent and continuous dialogue at all levels, at the technical level and at the political level, to try to address issues and solve them.

So USMCA in itself I think was extremely powerful in terms of addressing the supply chain disruption but also in terms of offering the way to forward. As Juan was mentioning, there are important provisions with respect for example to regulatory

cooperation and coordination among the three countries. There are rules related to technical barriers to trade, etcetera, but there's also new rules for example for the digital economy, which is so important today to ensure the right operation of supply chains.

In addition to that we have the U.S./Mexico High Level Economic Dialogue. As Juan would say, we have the second annual meeting on Monday here at the Minister of Economy. I think this is a fantastic opportunity to push forward issues as important as how do we make sure that the semiconductor supply chain develops in North America and for us in Mexico. How do we make sure that we are part of that subsistory?

Mexico is part of the manufacturing activity and factory in North America. We are an essential part of the supply chain in the sense that we are integrated into the manufacturing and also the services sector. So, Mexico has a capacity of participating.

Just to give you an example, in August we had a meeting with semiconductor companies established in Mexico and in the U.S. and also from third regions coming to Mexico, finding out where are the opportunities, where is needed structure, what we can do. And we are also working within the High-Level Economic Dialogue in terms of identifying the kind of work for development that we need to develop.

And just to finish my initial comments I'd like also to mention that understanding that supply chains are being restructured but that there are also global challenges and opportunities, we're also participating in WTO G/28 where we address supply chain opportunities in digital economy, in commerce, technical standards. And we know that WTO nonetheless continues to be a very important bases for what we can do in terms of addressing the challenges and the opportunities of supply chains. Thank you.

MR. MELTZER: Thank you, Undersecretary, that's great. It gives us a lot to work with. Goldy, over to you.

MR. HYDER: Well thanks very much, Josh, to you and Brookings for having me here in person and for all of you for joining, and to my fellow panelists in their accomplished careers. I'm a bit humbled to be on with them actually. When you said their

bios, I thought which one doesn't belong with the other.

I run the Business Council of Canada, as Josh mentioned. Just for context, it's basically 150 to 175 COs of the largest companies in the country that represent about 50 percent of the Toronto Stock Exchange, and roughly 2 million employees directly, and probably another multiple of 3 to 4 million in terms of the supply chain, so another 6 to 8. Many of them are global, many of them are very global, like our pension funds and others. So, this for them is very real. It's a very real time.

So, I thought what I would do with my time is just to give you a line of sight into what I see in the CO suites of the country and how they're seeing some of the conversation that we're about to have here.

First of all, there's a general recognition that more than likely the world is fundamentally changed forever. Now rarely do we get that dramatic "forever." But it's probably forever that there is unlikely a return to the past. And so, for all those who might be, you know, longing for days gone by, forget it. It's probably not coming back in that shape, way, or form, starting right here. I don't see any conversation in the United States about, you know, the use of the phrase, reestablishing leadership and all that. I don't see the real indication of the world that was, that they're more comfortable in the world that is. I say with great respect.

So, in that context, COs are looking around the world and they're looking for the usual things that they look for. Where is the predictability, where's the stability, where's the social cohesion, where is it the capital is welcome, where is it that we're going to be able to get, you know, the ROI for that capital, and that we have a long runway in which to do that.

One of the things that's happening around the world that causes great discomfort to leaders in businesses is the conventional wisdom of democracies in particular where one government of a different stripe might have done something before you, it might be a good policy and it's working, you don't come in on day one and make it the opposite.

That was sort of an assumed business environment in which we function.

Take my own country for example, you know, one party may have brought in a consumption tax and another party may have said we're going to eliminate the consumption tax upon arrival, but they didn't, because it's good public policy. And so, there was some sense of, yeah, there's a lot of political rhetoric, but common sense will prevail, and we can have some predictability, even in trying to measure political risk.

But that's all changed now. I mean populism is not unique to any particular country or any particular ideology, it's happening in every part of the world. And it's creating a hollowing out of the middle, if you will. And, you know, we need common sense in present business leaders to be able to operate and what we're seeing is a polarization of politics in almost all parts of the world. There's hardly anybody who speaks for the progressive, moderate, medium, you know, sort of middle of the road, we can do this, and we can do that, it's either this or it's that.

And I quote Larry Summers often because he talks about the need for a new seriousness. That we're in a world now where the Twitter debates, where the simplistic of it's this or that, they just don't fit the moment. This is a serious moment. There's a fundamental change going on in our global environment and we actually need to have adult conversations. We can't let the rhetoric run away on both sides. I blame both sides, the extreme left and the extreme right feed off each other. They are responsible for the creation of each other. The further you go this way, the harder they go that way. And all the rest of us are sitting there and there's a reason voter participation in elections is declining in democracies, there's a lack of hope. Why? Because you're so far out from where people are.

And so, business' response to this is if we don't see that seriousness this capital freezes. And so, if you look around the world today what you're seeing is capital is frozen. In Canada corporations are sitting today on about \$200 billion worth of potential investments in the things that Juan has talked about. And yet it's not happening. Instead,

you're seeing more often than not dividends increasing and shares being bought back because they don't know what to do. They don't know where the predictability is going to come from, they don't know where the stability is going to come from and so they just wait. And they'll wait it out. And I think that's bad because that's probably why we're going to have a recession, it's probably why we're not going to get the turnaround that we need as fast as we need it because we don't know how to deploy the capital with confidence.

And so, as policymakers we need to realize that what often makes for good politics can make for very bad policy. And we don't judge our investments on the political realm, we judge them on the policy realm. What is the policy framework in which I'm going to be operating? And if that's not predictable, if that's not stable, then there's a tendency to, as I said, just take the capital and deploy it in different ways. So, we have to be careful in this environment not to get in our own way.

There is a global realignment taking place and it is going to be a competitive environment. Our message to North America, and something that we're very involved with our counterparts at the business roundtable and the Consejo de Mexico and other organizations is, and to Juan's credit, having acknowledged that a strong America emerges from a strong North America. That's not in the United States' interest to stand alone and benefit while Canada and Mexico get weaker. That's not in your interest. So begs the question why weren't they invited, Canada and Mexico, to the Indo-Pacific Economic Framework as an example where countries were chosen to come and not come. So, I think that's a legitimate question to ask.

And so, we need to strengthen the North American situation. So, if you want to look at it from a marketing perspective, this is our moment. What does the world need? The world needs food, agriculture, a lot of it, the world needs critical minerals, and the world needs energy, a lot of it. And if you don't give it and we don't give it, they're just going to get it somewhere else.

We just had the German Chancellor in Canada, they wanted to talk about

L&G, they were told to talk about hydrogen. They were told that hydrogen was going to be around the corner, like five years out. I don't know how that's possible given many of our members are the ones working on it and they're like stressed about how hard it's going to be to make this viable and functional in five to 10 years. What did the Germans do? They went to Australia, and they made a contract for 16 years' worth of L&G from Australia, that could have come from Canada that is cleaner, that is more conscious about the environment than probably any other place in the world, and yet we're land locking ourselves because we can't build the infrastructure to get that out.

So that could have been our moment on energy. And go down the list on food and on other things. I think we have a good story on manufacturing, I think it's getting better, and Juan talked about some of that. But you gotta work at it. Like nothing lasts anymore. Especially in our environment politically that we face.

So, the mechanism by which to leverage it is the, let's just call it the USMCA given that we're here, we call it CUSMA. So, the USMCA at least gives you a framework that business can look at and have some kind of a sense of where we will be at least six years out, given that we have to be back at it in 2025 or so.

But any agreement is only good as the piece of paper it's written on, but more importantly it's only as good as if it's actually being implemented and enforced. And so, we need to do both of those things. We can't have an agreement that's been signed and before the ink is dry countries start becoming protectionists. We can't allow that. By the way, we all come to this game with dirty hands, none of us have clean hands in this arena here and it's often for political reasons. But let's acknowledge that, that we have work to do to make sure that the agreements that we made are actually enforced and that we don't undermine not just the spirit, but the facts of the agreement that we've made. Because otherwise, again, business will say I guess I can't rely on even the agreement. What do I have in terms of being able to do that?

And my message to democracies around the world is just remember, capital

is agnostic about ideology or anything else. It has one purpose, right, and it's return. And, yes, it spoke to the ethical return and concerns about rights and environment and everything else, but at the end of the day let's be clear what it is. It's return. And it will move to where it can get that. And so, if you're not careful you actually end up driving capital to the very countries that you're competing with, that you want to take on.

So, for some people, Vietnam, it's a communist country. But you know what, it's not the same kind of communist as we see in other countries. You go to Indonesia, Malaysia, Japan, Korea, India, there's lots of places where capital can be deployed if you don't make it a home where it's welcome.

So, I think that notion of honoring our agreements and building confidence enforcement is really, really key. Why is that? Because we're not seeing rules being applied globally anymore. You know, the Undersecretary, you know, referenced WTO. Well, the United States has chosen not to appoint a judge to the appellant body. Well, that undermines the entity that they help create and that businesses rely on for dispute mechanism and for some kind of resolution to come about. So, it's one thing to say let's revamp the whole thing, but what do we do in the meantime? And so, we've got to have honest, adult conversations about what businesses are feeling is a sense of anxiety that I have no more predictability anymore, I don't have any stability, I don't have a recourse if something goes awry. And so, if I get caught in all of that stuff, I'd rather just freeze my capital. I'd rather just do some other things with it. I don't want to, most businesses want to grow, they want to invest, they want to innovate, they want to hire more people, they want to expand their footprint. But if they don't feel comfortable and confident about that they won't do that.

So, I'll end there. I have some other thoughts that I want to talk about where I think we have to be careful of false choices, Josh, about it's this or that. I think it's more "and." I'll pick up on that after.

MR. MELTZER: Okay. Thanks, Goldy, that was a great overview. Alan,

over to you.

MR. BERSIN: Thank you, Josh. And I join my fellow panelists in thanking Brookings for raising this issue that is on everybody's minds.

But I want to draw on something my fellow panelists, each of them said. So, in fact Goldy's right, the world is not coming back the way it was. And yet at the same time the Undersecretary is correct that globalization is not going away.

So, I think the way in which we should look at the massive disarray in global supply chains that's been precipitated by the pandemic and the reemergence of traditional geopolitical rivalries that Juan identified, we should look at it as the end of Globalization 1.0. It's a stage that has actually dominated the last 30 years. And while it causes difficulties for each of the core countries of North America, the U.S., Mexico, and Canada, I'd look at this as a real opportunity to reverse trends that have been ongoing for the last generation that actually have carried with it great benefits to be sure, but also has tended to weaken the position of each of our countries in global trade, and create a future that promises more of the same.

So, this is an opportunity for us to reset because of the disruption that's going on now. But as Goldy indicated, we've got to do it in concert. For me the great achievement of NAFTA and the great promise of USMCA, T-MEC is the idea that we will continue to build on this massive shared production platform. It's become commonplace to observe that we don't trade with one another in North America so much as we make things together. We are a tremendous manufacturing block but what's happened over time, as Globalization 1.0 focused only on low cost and on efficiency, we saw a massive relocation of manufacturing, certainly out of the United States, to a lesser extent Canada. But then even in Mexico we saw Mexico go from a low value chain manufacturing country in response to the low costs of Asia, to become much higher in the manufacturing value chain which it occupies today.

But the optimization of working capital and low costs actually is part of

Globalization 1.0 that is coming to an end. And while Goldy, I think you're right that capital will always have a proclivity to follow return, actually we're in a world now in which resiliency, risk mitigation, and sustainability are taking place in the value propositions of companies and in the regulatory regimes of government that is going to actually affect that equation and change it.

So, for me, the large challenge is for us to look at ourselves as a region, what Juan was talking about. The U.S. will be better off if Mexico and Canada are better off. But look, we've got to also face that North America, ever since NAFTA in the 1990s has been a piñata politically. People haven't accepted the notion that we are really stronger operating together, and we've got to change that in the next phase of globalization. We must cooperate in ways that politically have not been possible.

So, the High-Level Economic Dialogue needs to be a trilateral forum in which we talk about these matters trilaterally and we recognize that sometimes we should proceed bilaterally in parallel bilateral form, but that the region has got to take a precedent. So look, even the great achievement of USMCA, we each call the agreement something else. We have three different names for the agreement, and North America's actually dropped out of the name of what was the greatest trade agreement, and still is the largest trade accord in the world.

So the first point I'm going to emphasize, and as we get into more of a discussion is we've got to reinvent the region. And we've got to take it seriously.

The second separate but related point is we've got to think of North America as more than just the core countries of Canada, Mexico, and the United States. One of the disadvantages that we faced in Globalization 1.0 is the relocation of manufacturing to Asia. So that we are dependent even in our high value automobile production platform, on components from Asia, China, and elsewhere. While that is not going to stop, it does present a strategic challenge to the region to be this dependent on electronics manufacturing in Asia. So we have to redress it.

To do that, I suggest that we look at North America as a much larger potential region. For me it could be from the Northern Tier of South America to the Arctic, and from Barbados so even Bermuda, to Hawaii. That's the scope in which we need to look at North America in order to take our place and maintain our place as one of the three major trading blocks that will emerge during Globalization 2.0.

We need to do a lot more to incorporate Central America, the Caribbean Basin, and the Northern Tier certainly in South America, then eventually Mercosur into this large production platform that we've built.

Let me stop there except to say that we deal with talking in terms of, and Juan's at the center of this. We talk about the need to address root causes to address migration challenges. And we all recognize the need to change the equation, the economic equation and the opportunity equation in Guatemala, Honduras, and El Salvador. But we never link it to the importance of incorporating those countries into our shared production platform. This is about increasing the low value manufacturing that Central America and the Caribbean Basin can contribute to our shared production platform. So we need to look at North America, reinvent it regionally for the three poorer countries, but we also have to see it as a much larger proposition that can actually contribute to the solving of transnational issues such as migration that we experience with our neighbors elsewhere in the Americas.

MR. MELTZER: Thanks, Alan, and thanks again to all the panelists. I think we've got plenty of threads to pull at and actually have the challenges, where to start.

I want to take advantage of Juan's short time left with us probably to ask a few questions relevant to him, but all the panelists, you know, are welcome to engage in these questions.

I want to pick up on this notion of what we mean by resilient supply chains, and Alan, you framed it in a particular way. It's also incorporating sustainability and labor rights and so on and so forth.

So let me turn it over to you, Juan, like how are you thinking about what

does resiliency mean in this context when we think about supply chains and rebuilding them and strengthening them in North America?

MR. GONZALEZ: Yeah, it's a great question. Again, a lot was framed by the panelists. I want to start with a really brief anecdote and then zero in on what's related to your question.

So I don't tell many people this but now I'm in front of 600 people. So, I got my start in like the policy world organizing some of the protests against the WTO and the IMF in the early aughts. In those days the conversations about trade really treated issues like climate as an externality that really should be treated separate from how these agreements were negotiated. The issues of labor were seen as externalities, human rights were seen as externalities. And I mean what we were protesting against was a race to the bottom that really saw trade as the ends and not the means toward something, right?

That debate has evolved, and I think there's been, I think according to a lot of what you're saying is there's been this understanding that the CO suite needs to understand Main Street and the other way around. Main Street needs to understand how capital is deployed.

I think it's relevant on climate because that's one question of resilience. I think particularly in North America the decisions that we make, the ones that we're very focused on, are really questions around policies on climate and energy that will really shape, I think, the future of the North American platform, particularly as we look to be competitive globally in the electrical vehicle sector and semiconductors and a whole host of industries.

The USMCA has the highest standards on labor. Our cooperation with Mexico on labor has been incredibly constructive and productive. And that's something for us is probably one of the, I think probably best parts of our cooperation with Mexico in the trade space. So, I think first is the resilience to climate.

The other is, I mean we saw this when there were in the U.S./Canada border how easily it is to shut down trade between the United States and Canada by, you

know, there was a truckers' issue in Canada. We also had some issues. How easy it is to just shut down these kind of just in time inventory approaches where we had to scramble to figure out how to get goods to market in multi-billion-dollar markets. And so we came out of that saying well we need to talk to Canada and to Mexico about how we make sure that we prepare for this, because it could happen again.

I think the other one is, particularly when you're talking about electric vehicles, is this recognition that, you know, Canada has great reserves of critical minerals, Mexico has great reserves of critical minerals, but the refining capacity is all in China. And so I think a lot of companies, I mean some companies, and I'll defer to you because you actually talk to these guys more regularly than I do. Is they're thinking about if they are going to make a decision to move their supply chains to North America, they're not going to want to have to go back and forth, geography becomes an issue. And so to the extent that we can actually become independent, and it's not an anti-China thing, it's a North American competitiveness thing, while making sure that the source and manufacturing capability and the full kind of supply chain when it comes to whether it's vehicles or anything else, is something that North America can do. And that we are completely aligned. I think that's probably one of the most important areas.

And then the last one I think is obvious to everybody here, but even though we, under the Obama administration, launched which was a very ambitious North American pandemic kind of preparedness platform, that I will say was mostly focused on influenza, that was not sufficient in a pandemic. So things like PPE, with Canada we realize that those things go back and forth with people. Health workers that were Canadian would work in U.S. hospitals, and so when we were in the worst of the pandemic, we realized at that point that North America really needs to do even more to make sure that whether it's a pandemic or anything else, that we are coordinating.

And even now when it comes to research, emergency response, because borders are, you know, permanent, so we need to make sure that as a North American

platform we are completely synced on matters of I think of like health preparedness and response.

MR. MELTZER: That's great. That's really a very comprehensive sort of framing of the resiliency pace. Undersecretary, did you want to come in on this resiliency sort of dimension?

MS. De La MORA: Sure. Thank you very much. Well just building a little bit on what has already been said, and I'm going to borrow something that Alan mentioned with respect to Globalization 1.0 and Globalization 2.0. I think that resilient supply chains are exactly that. This is the new way of dealing with globalization. Because this is a new way of making sure that supply chains work in a way in which we reduce vulnerability, we ensure that we have the capacity to maintain their operation without disruptions, and that may at some point mean that we're not only looking at cost effective supply chains where the most important issue is cost reduction and also just in time.

So we are being forced to rethink what is a resilient supply chain where we can guarantee the operation, where we can resist constraints, where we can mitigate disruptions, and also where we are able to address multiple threats to the supply chains. Sometimes from natural disasters to other kinds of activities.

In this respect I think that building resilient supply chains means several things and there are several layers of activities here. On one hand we have the policy space where we know that there's room for us to improve resilience of supply chains for example through trade facilitation, through investment facilitation, through regulatory cooperation.

There's also the work that we need to do with the private sector. How much we can address the needs of the private sector, how much we can guarantee that the procedures that the private sector needs at the customs at the border, in the different areas of procedures, that we can actually deliver on time for them to take place.

And I think that the third space has to do also with a new area that in the past we have not paid that much attention. And that is the human aspect of the supply

chains. By human aspect I'm meaning let's make sure that people really have the skills, the training, the capacity, to be able to participate in this restructuring of supply chains. We know that there's a lot of technology involved in all of this.

But as was already mentioned, for example agriculture. We need people to work in the agricultural sector, we need people who help us in developing the crops that we all need for satisfying food needs. And this is an area in which something that Juan already mentioned. We're paying a lot of attention, which is labor rights, labor conditions.

So I really think that resilient supply chains are a different description of what we mean by this integration, and that opportunities that integration can build for people. Thank you.

MR. MELTZER: Thanks, Undersecretary. Well actually I really like the way you frame this about resiliency being the way of dealing with Globalization 2.0. I think that brings those two concepts together nicely.

Goldy, Alan, do either of you want to come in on this?

MR. HYDER: Well, this allows me to pick up on the point I was concluding with about how the framing on issues today cannot be this or that. It's "and." So it's not globalization or resilient supply chains. It's globalization "and" resilient supply chains. It's not, you know, energy sector or climate change, it's energy section "and" climate change. Because these things are connected.

You know, take for example in the supply chain resiliency. I take the point about PPE, remember, this is Canada who was on the receiving end of an American administration that tried to ban masks from entering our country during the pandemic. I can't make that up, that actually happened. We had to call Washington to say the paper in that mask is made in a mill in British Columbia so don't worry about cancelling the masks, we're cancelling the paper.

As a reminder of just how quickly this comes home to how integrated we actually are, right? A ventilator has 1400 parts. Do you really think we're going to be able to

make a ventilator all by ourselves? Because I don't. Probably not. And so you're going to have to rely on resiliency well beyond your neighborhood. And we have to be careful that this is not confused with a different kind of protectionism. Instead of independent countries being protected now the regions are going to be protected, right?

And this is the rub here and I think this is the point that we all need to think long and hard about, and we just saw this happen in Europe. And that is one can never get too far ahead of one's customer or one's voter. And if you get too far ahead of them you will have a whiplash effect when the public goes whoa, you're going too fast. See Europe on climate change.

I think we're just going to turn off nuclear, we're going to turn off our coal plants and we're just going to go straight to renewables and we're going to take our chances. Well, that didn't work out very well because franc has shot up 500 percent and the public said I can't afford it. I can't afford it. And all of a sudden, we have to pull back.

Same thing here. How much do you want to pay for certain things is going to determine whether you're ever going to be able to make it in North America or you're going to have to make it somewhere else. All right, people don't want to pay \$2,000 for an iPhone, they want to pay \$500 for an iPhone.

So, we've got to be aware that supply chain resiliency is not for everything, it's for some things. Most likely related to security issues, most likely related to healthcare issues. But there's no guarantee that the next pandemic is going to need a ventilator. So, let's not go doubling down on ventilators because it might need something else. So, the question is what are those things? And, you know, obviously in healthcare there's a number of elements where we're going to have to take a strong look at that.

We need to work better on the resiliency in security, you know. Countries have to do their part, not just on defense, but on cybersecurity, the sharing of information. There's so many elements to resiliency that go beyond, can we just make sure that we have the key things to make something, right?

And I would say the same thing about the electrical vehicles, batteries, and then that's the sort of flavor de jour, right, and everybody's coming into that. Well, we don't have in many cases the infrastructure for what we're asking people to do. The electrification of our grids is a very complex thing to do in a federation like Canada which had different rules for different sides of the street on COVID. Literally on the other sides of the street there were different sets of rules. So how do you build electric grids and stuff if you have three layers of government that are going to have to do that?

How is it that we're going to have everybody get electrical vehicle that has an electric battery in it because the key ingredient is cobalt, who's basically, you know, produced and controlled and refined by China and Congo, which may as well be called China. So, what are we going to be doing if they restrict the cobalt from being there? Are we going to have the capacity to pivot?

And this is where I think this is where we as Canadians and Americans and Mexicans have to play to our strengths. What are we good at? What is each one of us bring to this thing? So some of us are really good at certain things. We have the natural resources sector, right? All of us together have a lot of innovative capacity in our human resources sector. Mexico has a lot of labor availability for manufacturing and stuff.

So, I think we've got to sit down and war game this thing to say what can you do, what do I need to do, what do we do together, to be able to actually compete. And that's what this is all about. Let's not lose sight of what this is all about. This is about positioning North America to compete in a new global order where everybody's breaking up into blocks. And we, in this part of the world, have largely remained me, myself, and I, and only now are we actually trying to think about how is it going to be "us" as we go and compete in Asia and in Europe.

MR. MELTZER: I've got one question for you. Alan, I'm going to swing back to you on resiliency because I know you've got something to say on that but I'm just going to pick Juan, one more question before he runs off. Because I wanted to pick up also

on the point that you brought up, I think, Alan, as well around thinking outside the North American region and how do we tie in Central America and parts of South America and any sort of thoughts or comments you might want to make on that.

MR. GONZALEZ: Yeah. And I'll say, I mean Alan in some ways before this was an issue that has become so kind of central was on the vanguard of some of these issues of supply chain resilience, and we've had many conversations about everything from passenger manifest to disruptions. And so, I'd kind of go back to some of those conversations that we had back under the Obama Administration as really being kind of precedent to some of these challenges that we're facing today.

I want to pick up briefly on something that Goldy said because look, I mean for like roughly 10 years that I've worked with President Joe Biden, what my assessment is somebody who is very much focused on working families. He doesn't really subscribe to any sort of ism or model, if it's good for American working families then it's good for the United States.

The debate sometimes I think in the U.S. is that any sort of investment in Canada or Mexico is at the expense of the U.S. workers. And this is I think maybe an ask to experts in this field. That's not an if or, it's an if and question because I think, and this is an area where experts in the field, I think organizations like Brookings and others can really, and also just the private sector, but even the importance of labor as a stakeholder, are ones that can help us navigate these decisions with the urgency that is necessary.

There are sectors where, yeah, the U.S. is going to be competing with Canada and Mexico and we're going to make sure that the U.S. is winning in that space. But there are areas where there's clear complimentary kind of characteristics there and those are ones that we need to work on. You say working, we need to actually sit down with stakeholders and have very clear discussions about how we map this out. I think there's some ideas, there may be some differences of views here but the ones where there's like a win/win scenario for everybody as we think about mapping out the particular advantages and

supply chains.

Going beyond, I mean the number one priority for us is I'll say as a Senior Director for the Western Hemisphere I spend over 50 percent of my time on North America because it is that important to the president, it's that important to the United States, and it's an ento-domestic issue for us that overlaps in so many ways, as was highlighted by the pandemic.

Once you start stepping out of it you ask yourself, we have more free trade agreements in the Western Hemisphere than in any other part of the world, how do we actually leverage those? And it's challenging because, look, some conversations we'll have in Central America. I think the conversations are, well, the U.S. can flip a switch to near shore supply chains, and it's quite frankly it's an industry decision. It's a private sector investment decision how we actually crate that environment. And those environments vary depending on the region.

I think for us really a lot of the focus on Central America is on questions of governance, of practicability and transparency of contracts, where the private sector has that dependability. Frankly of integration that has been really challenged in Central America because they're very small on their own but they're formidable if they're actually coordinated and aligned on economy policies and governance policies.

Where we spend a lot of time right now is thinking about the Pacific Alliance Countries as a really strategic platform. Because it includes of course Mexico, but it includes also the Andean countries, Columbia and others, that have their own I think competitive advantages in other areas. And it's something that I think Alan alluded to it as well as there's a lot of instability in these countries and if we actually find a way to address some of the kind of economic shortcomings of the trade agreements that we negotiated for the last 28 years, it can respond to the politics by addressing I think some of the gaps that we may have in just our kind of global supply chain.

Of course, on the issue of critical minerals, I think people, if anybody studied

this, you look at Brazil, you look at Argentina, you look at Bolivia. These are places that are key, and China is already really buying up the supply. And so we need to start thinking about this in a much more strategic way.

But again, for us really the start of every conversation on these sorts of topics is how are we working with North America. And then we kind of go off from there. But the conversations we have with Canada and with Mexico is how do we integrate the rest of the hemisphere into this conversation.

So that's the answer.

MR. MELTZER: That's great. Thank you so much. I know you have to run, so thank you, it's been a pleasure having you.

MR. GONZALEZ: Thank you for having me.

MR. MELTZER: Okay. Alan, let me turn it back to you, back to the previous question only if you feel you want to come in on this question of resiliency and add to what's the panel's already said.

MR. BERSIN: Two quick footnotes. One is that really the old dichotomies, the old bright lines between economy and politics, between public affairs and private affairs, and between domestic affairs and foreign affairs. All of these are being blurred in the new world that we're living in.

So, you know, Goldy's right and the Undersecretary is more than right, it involves all of these things. Resiliency is not just ensuring that you get something on time and according to specification. But that underlines the last point, frankly, that Juan made, which is we need to make choices and we need to develop a capacity in North America regionally to have these choices made.

So the shared production platform largely has not been driven by government decision making, in fact to the contrary. This has been a creation of the private sector, of the business communities, and the NGOs in the three countries, operating sometimes in spite of government activity.

What resilience is going to mean going forward is that we have a clear idea of what is necessary to the security of our countries and the region. And you're right, Josh, this shouldn't be anti-China, but we should recognize that in fact we are engaged in a very strategic competition with China for the global value chain and the value at the top of that chain as well as throughout it. So that this competition could be good so long as it doesn't spill into geopolitical conflict and worse.

Unlike Vladimir Putin and the aggression in Ukraine, China need not be our enemy. In fact, it cannot in many ways be because of the extent to which China's become the factory floor of the world. But that doesn't mean that we can't look at resilience as claiming those portions of the manufacturing sector that the three core countries of North America would agree on are actually critical. And then start to use government policy to navigate and also curate the changes that should take place in the region.

MR. MELTZER: Yeah. That's well put, Alan. And so let me pick up on this notion of resiliency and maybe frame a question in slightly broader terms around, maybe we can call it governance, but in part, you know this is also I think about the tools that government will require, how we speak and engage with the private sector on building out these new frameworks in a way that they filter down into investment decisions.

Because, you know, Goldy's point, you know, which was made strongly about capital being mobile and looking for rates of returns, right? So, we can cash out rates of return as incorporating climate risk and, you know, social cohesion risk and so on and so forth. But that won't happen unless in some respects there is sort of whether it's legislation or other kind of government policy that sort of gets these systematically onto the balance sheet and into the risk calculations the private sector is going to make.

So, what do we need to make this happen in a way where resiliency is actually sort of essentially cashed out in the private sector in a way that is coherent and actually is reflected in decisions going forward?

Goldy, let me turn to you first and then over to the other panelists.

MR. HYDER: I think the short answer is actually more about the approach. Which is the need for a true collaborative partnership between government and the private sector.

Our politics is taking us to a place where it's all, you know, we don't like big business, we like small business, and okay that's great political rhetoric, but at the end of the day the people who are going to be making the kind of investments that are going to necessary for a climate transition to actually take place are the large businesses.

And so, we need to have an honest collaborative partnership with our governments to sit down. And we tried this very hard in Canada because we feel very strongly that eventually the facts become the facts. And so, you can listen to all the movements that are out there that are trying to hurry up and shut down fossil fuels and do all these things, it's not going to work. Because the facts are, we're not ready for that transition to take place. We don't have the infrastructure we don't have the capacity; we don't have, people don't have the ability to pay for that kind of a transition at this time. We're going to have to have a responsible, systemic, a system wide transition take place over decades.

I think we all want it to be as soon as possible but it's going to take time. Much of the innovation that just gets thrown around, like hydrogen, or small modular nuclear reactors and things, it's not ready today. It's going to take some time. These are hard things to do.

I mean if you understand how hydrogen works, I mean it's going to be very difficult to be able to -- first you gotta create a domestic market for it. You gotta create the infrastructure for it. And if you're trying to get it out Europe or something, like if the temperature on a ship's got something like minus 250 or whatever it is, and if it can't be, it's going to have to be, you know, sort of taken apart and put back together at the other end. These are complicated things that are going to take time.

But in the meantime, we have to recognize that the energy demands globally are growing. I'm not saying this, this is the OECD saying this. For the next 20 to 30

to 40 years as China's middle class continues to grow, as India's middle class grows, as the countries in the Asia Pacific continue to expand, some cases Africa, which has a very young population and their wealth increases. They're going to buy cars. And we're going to be really happy about taking the electrical vehicle we're going to buy here but our car is going somewhere else to be used. Unless the government is buying my car, it's ended up somewhere else.

And so, we've got to have really important honest conversations with each other as business leaders, as private sector, and as government. But we've got to be honest with the public at the same time. And I think that's the opportunity, to frame it in the positive light, to demonstrate that people can relax and be reassured that your private sector and your governments are working together to bring about this transition in a responsible and affordable way.

MR. MELTZER: Thanks, Goldy, that's a very helpful way of putting it. I think cooperation with the private sector is one of the link motives that is coming out of this event, absolutely.

Undersecretary, can I ask you to come in on this? Let me maybe just add something here. You actually spoke I think quite substantively about the role of USMCA in this context, there's a lot of important roles of commitments there which really underpin and support a lot of what we can do around supply chains. From where you sit do you have the policy, tools, and levers that are needed to sort of move toward resilient supply chains? If you do, what are they, and if you don't, what's lacking from where you sit?

MS. De La MORA: Well, Josh, thank you. Well from a USMCA perspective we do have not only the normal rules that we have provided for integration in North America for the last 30 years under NAFTA, now USMCA. But I think that USMCA does build on the kind of integration that we are seeing right now.

And let me share with you a couple of areas in which we're working. One of them has to do with competitiveness. We know that competitiveness is as wide a concept

as it can be, but we have been trying to focus on areas in which we know that we need to work as a region, the three of us together to be able to offer the kind of conditions for companies to flourish and also to transform.

Within the competitiveness area we have been working for example in making sure that our borders work efficiently. We have also been focusing on how we can make sure that the situation that we face during the pandemic that has to do with an emergency situation where we have different definitions of essential sectors, the criteria that we have, has to be aligned and has to be standardized. And we need to find ways in which the business sector, when it is faced with these kinds of disruptions, we can offer them a way to solve these problems and also to find a way out quickly.

Within the competitiveness area we have also been working in human workers development. I think that I'm overstating this in the since that I'm repeating it, but you cannot imagine how important this has been for the private sector in the sense that today we are seeing that we do not have in North America the kind of talent that we need to make sure that the supply chain restructuring does take place in North America and it provides the benefits that we want for our people.

In addition to the competitiveness chapter, we also have the SME chapter. The SME chapter is also extremely important to the extent that we need to make sure that we have a supply chain in North America. For us to be able to have that supply chain we need to have the kind of business infrastructure, the business network that can actually participate in those supply chains and that can actually benefit from the fact that we are seeing some restructuring of supply chains into North America. For that matter we have done a lot of work. I will not go into the specifics of this because it will take a long time, but I just want to let you know that SME development, access to capital, access to training, access to supply chains, is at the center of our agenda in the U.S, Mexico, and Canada.

And in addition to these two areas, I also want to mention that we have the U.S./Mexico CEO dialogue and the Canada/Mexico CEO dialogue where we are also

benefitting from recommendations that we are receiving from the private sector at a very specific level. As specific as for example clearance of customs. How do we make sure that this clearance of customs is done more efficiently?

North America has integrated tremendously in the last three decades. However, the challenges for North America to continue to integrate and also to deliver the kind of infrastructure and the kind of operation that the industry needs, still needs a lot of work, a lot of investment, and a lot of policy coordination.

And I think that these dialogues that we have, especially the High-Level Economic Dialogue between Mexico and the U.S. and Mexico and Canada will definitely contribute to strengthening and to creating the conditions that supply chains need in North America to resiliency. Thank you.

MR. MELTZER: Thank you, Undersecretary, that's very comprehensive. Alan, you mentioned the need for trilateral dialogue. There is trilateral dialogues on the USMCA. There is obviously the bilateral economic dialogues.

What more are you thinking of when you think about what's necessary to build cooperation around supply chains?

MR. BERSIN: We've alluded to, in the course of the discussion, Josh, to the strategic decisions that have to be made about what do we near shore, how do we encourage and incentivize the private sector to make investments to facilitate that. So, the USMCA, particularly given the circumstances in which it was adopted, was a terrific preservation but we need to go beyond that.

The issue is what is the institutional framework that will permit U.S. government, Mexican government leaders, Canadian government leaders, to meet regularly with the private sector along the lines that Goldy suggested. We don't have institutional collaboration on a regular sustained basis that will produce the kinds of answers that we need to the questions that have been posed.

So, you know, all of the dialogues that we reference are good but they are

episodic and they don't involve the kind of ongoing staff work that would enlist the Brookings of the world, frankly, in trying to figure out some of these things in a way that could then be used by capable political leadership to explain to the public that this is not an overnight transition but that this is the direction in which we intend to be moving government policy over the next decades.

Not easy, but we need the institutions to frame trilaterally these issues so they can be presented to the three core countries in similar ways. And I recognize that the genius of North Americans that we maintain our separate sovereignties, we don't seed it and share sovereignty in the manner of the EU, but that doesn't mean that we don't have to develop the ability to develop joint positions regionally in North America.

MR. HYDER: Josh, can I just say to give people hope that we just had a recent example of how it is, what happens when business and government work together. COVID. When you look back at COVID, a lot of attention was given to what governments did in terms of their response, their ability to move quickly, their ability to get money out the door and all of that. And congratulations to them, glad to see that government can in fact move and when it comes to regulating itself, it does a pretty fast job. We love if it would do the same thing for the private sector.

But the problem solvers for most of these things were actually the private sector. And when you ran out of PPEs and we weren't going to be able to make it, who had to do that? We have companies that are aerospace companies, you know, auto companies, who pivoted to being able to make ventilators, to be able to make masks, as 3M was able to do, or Canada Goose was able to make garb for the medical professionals, your Broadband that was brought to you by your private sector companies, for all the criticisms that they get, it worked, it allows you to work from home and do all that stuff.

Our grocery aisles were kept, our trucks kept going across, you know, the borders. It's a reminder of the partnership that comes from government and business at a time of crisis to reassure your public you're going to be all right. We got this. And where did

the innovation come from for the vaccine itself. A private sector company, they didn't even take the money that the president offered here, did it on their own, Pfizer.

So, it's an example of building confidence that business and government, when we work together, has your back. And, you know, there's a saying, we're in it together and we have your back, we did. But we need to do the exact same thing now and pivot to other things like the climate transition and so forth. It can't be an either or. If we are really in it together, well then let's be in it together and let's not have alternate facts or any of that. The facts are what they are.

We're going to need to figure out how are we going to do this transition responsibly and how are we going to be able to bring the public with us. I think it's in us because we just showed it's in us in the COVID crisis.

MR. MELTZER: Yeah, thanks Goldy, that's well put. And there's clearly a lot of learning from the COVID experience hopefully we can build on as we think about these next important stages.

I've got other questions, but I do want to open it up to the floor. So, if you've got a question raise your hand. There's a microphone here. Please introduce yourself and ask a question, so that's ending with ampere, a question mark. And please keep it brief if can you. Over here to start with.

MS. FASANELLA: Thank you so much to the Brookings Institution for organizing this event and for the panelists for your time today.

I'm Cecily Fasanella with the Woodrow Wilson Centers Mexico Institute, so familiar with the work you all do. But Former Commissioner Bersin mentioned the importance of the opportunity equation in his opening remarks, and many see work force development as key to moving up the value chain and to centering people within trade.

Undersecretary De La Mora might be best positioned to answer this question, but I welcome any of the panelists who chime in. On how discussions regarding workforce development have evolved recently under the High-Level Economic Dialogue and

under meetings regarding the USMCA. And, you know, what specifically our workforce development opportunities that will be directed to the Mexican markets that are high paying and that will lead to long-term jobs. Thank you very much.

MR. MELTZER: Thank you. We might collect a couple of questions to start with. This lady at the front here.

MS. KO: Hi. My name is Cush Ko, I'm from the South China Morning Post, and my question is for Madam Undersecretary. We have been talking about aligning policies across North America, Canada, Mexico, and the U.S. specifically. And you talked about labor rights. And I'm curious to know that the Biden Administration recently passed the Uyghur Forced Labor Prevention Act. How likely is Mexico to pass a similar law so that, you know, that products made in China out of forced labor do not get into Mexico or get into the U.S. through Mexico?

My second question is that there have been cases, there have been reports where Chinese companies are circumventing trade tariffs, the U.S. trade tariffs, through Mexico. There have been reports of many warehouses, you know, springing up on the southern border and not just, they're not just circumventing the trade tariff, they're in fact not paying any tariff because Mexico and U.S. have a free trade agreement. So, is the Mexican government doing anything about it? Or are they in touch with the U.S. government on this issue?

MR. MELTZER: Okay. And one more question from this side of the aisle, this gentleman over here.

MR. CIGAVERA: Hi, Francisco Alvarez Higarda (phonetic). I'm coming as a private citizen, but I'm also involved with the Mexicanos en DC, a Mexican professional association.

A lot of this conversation is happening at the 10,000-foot view among governments and companies. But what about at the ground level? You know, within this framework is there room for private citizens and local communities to manifest concerns

over local impacts from international supply chains? Especially from an environmental or climate lens. In much of the west in the U.S. and also in Northern Mexico we're facing incredible unprecedented water shortages. But more broadly Northern Mexico has been, communities in Northern Mexico have been concerned by water shortages in part affected by Consononus (phonetic) to big bottling companies that are, you know, they're coming in with the intention of bringing trade and jobs, but local communities are feeling the squeeze when they see their bodies of water privatized by the local government to participate in the international trade.

And so again, where's the room within this framework for local communities to manifest their concerns about how they're under the vice grip of, you know, international trade flows? Thank you.

MR. MELTZER: Thank you. Undersecretary, I think if you want to kick off, and feel free to answer, you know, as many of those questions as you want to, and then I'll open up to the other panelists and see if they want to contribute as well.

MS. De La MORA: Sure, thank you. Well with respect to workforce development, let me share with you that we have done a number of activities and we have planned. On one hand we are focusing on how we can make sure that certification capacities, the fields that North America needs are recognized among the three countries. So, we are working on certification agencies to see what kind of collaboration we can have for specific areas. We have done two workshops already on workforce developments, one in Dallas this year, one in Mexico City this year, and we'll be having in Catalan in October.

We have also paid special attention to the need for the semiconductor sector in order for us to be able to have the three countries the kind of talent that the industry needs at all levels, from the very technical to the most professional and academic perspective.

So, this is an ongoing work that we are developing. And just to mention one of the most important areas, we are working as Ministry of Economy from a productive

perspective but obviously we're working with the Ministry of Labor of the three countries and the Ministry of Education.

With respect to labor, that's Chapter 23. We have a provision that it's Article 23.6 that has to do with forced labor. We're working with our counterparts in the U.S. and Canada to ensure that we are ready to identify products that are produced with forced labor, and we can stop them at the border. That's a commitment that Mexico has and we're working with the U.S. and Canada on collaboration on how to implement this, and we have also done our work internally to make sure that we can implement those provisions.

With respect to Chinese products, I have to tell you that Mexico, the U.S. and Canada, the three of us, are open economies, we apply the tariffs to countries where we do not have a free trade agreement. That is the case of our trade with China. China is our second largest trading partner. We do import products from China. Those products pay trade tariffs except when they are imports that are incorporated in products that are processed, meant for exports. We have the foreign trade programs that allows the imports of those products, those are completely regulated, and they are normal within North American production. This is something that all countries do.

We are part of supply chains and products from China are permitted, and other countries, when integrated into supply chains are transformed and they are re-exported. So that is part of the USMCA and also, it's part of our trade commitments in WTO.

And with respect to environment, I want to share with you that we have Chapter 24 that has to do with environmental protection. The three countries have to abide by their own domestic laws. We have a committee for environmental considerations.

But we also have a North American Environmental Cooperation Agreement that is the purview of the Ministries of Environment in the three countries. We also have the North American Environment Cooperation Commission based in Montreal that assesses environment cooperation in North America. And we also have the Border Environmental Cooperation Commission.

So, there are plenty of instances we do have a challenge with respect to water, and that's an area in which we are working here in Mexico at the national level and at the local level. And I think that that's one of the areas in which we have identified an area of cooperation and we are doing our work, and there is a possibility for the civil society, for NGOs, to participate through the environmental committees that we have. Thank you.

MR. MELTZER: Thank you, Undersecretary. We're coming up on time so can I maybe ask our panelists, certainly Alan and Goldy, start with you, if there's anything you want to say in response to the questions and any final comments, maybe keep it brief, about a minute each. I'll turn back to you, Undersecretary, for any final comments you might want to make, and then we'll wrap up.

Goldy, if you want to jump in first.

MR. HYDER: I just want to jump in very briefly on the question that was relating to essentially workforce development. And this is a mea culpa. I would say that many in the business community regret that when free trade was brought about in 1988 on, we fought for the policy to come about, the policy came about, and we all returned to the regularly scheduled programming and ran our businesses, never expected government to do what governments do.

We need to work together to make sure that that doesn't happen again, that we actually bring people with us, as I tried to continue that theme of the public, enroll the public. And the notion of skills, reskilling, you know, labor shortages and all of that is a joint responsibility of government and of the private sector to make sure that we are investing in the workforce of the future, not the workforce of the past. And so that's something I think is critical.

And secondly, and I know it's different in the three different countries we're speaking of, but maintaining support for immigration is at the heart of that. But the way you do that is you make sure that you take care of the people who already here. You take care of the people who are disabled, the people, the women who are underemployed or

immigrants who are underemployed, or indigenous communities who are underemployed. You make sure you have full employment before you build the strong case for immigration.

And the demographics are very similar in the U.S. and Canada. We are going to desperately need labor and we're going to want to make sure we attract the best. But the way you maintain support for that is to make sure that people who are in your country are well employed. And so I thank you for raising that, and also take responsibility that we need to do a better job of that. You want me to wrap up at the same time?

MR. MELTZER: Absolutely.

MR. HYDER: Well look, I mean there's a lot that's been said, a lot that I can say, I think I just want to reiterate the message, a few things.

One is that, you know, the notion of a strong North America is in all of our collective interests. This is not a competition amongst ourselves. Sure, we're going to compete in things, hockey being number one on my list as a Canadian. But in other things we don't have to compete. There are things that we can do together, and we can play to our strengths, and we can take on the rest of the world. I think there's strength in that.

I think that the other thing that I just want to underscore is the need for rules. The need for predictability, stability, and the need for some kind of a framework in which businesses can operate with some confidence. And I'm concerned, very concerned, that we're heading into a political environment in many countries around the world where literally block that comes right on the day that administration changes. And that is really frightening for those of us who need the predictability. So, I would just say be careful what you wish for.

If that happens money is going to go to much more stable places and more often than not it's going to be the people that we're competing against. It is just going to be that way.

And then the last point I would just reiterate and underscore again and again and again, and maybe it's my public relations and government relations background, but just make sure we bring the public with us in all of this journey. I mean I just spoke

about it in the context of immigration. You can talk about it in the context of climate change and the costs, you can talk about it on the resiliency of supply chains and what they have to pay for things. If we don't bring the public with us, we're going to have to respond to them eventually and/or they choose a different kind of government that brings you bad public policy, and we don't want that to happen.

MR. MELTZER: Thanks, Goldy. Alan, over to you, any final remarks.

MR. BERSIN: So, if the challenge that we face is articulating and implementing a Globalization 2.0 I think we've had broad agreement that that has to involve reinventing the North American region. And strategizing about what we take on first, and then how do we actually, in Goldy's term, bring along the public to support it.

It seems to me there are three major focus points. One is actually cross border mobility. As we near shore more manufacturing activity closer to home, we are not going to be able to compete on labor costs, that's not an area we should compete on. But we need to then enhance efficiency by making cross border mobility much more efficient in terms of the way in which we clear goods, the way in which we use pre-clearance, and similar kinds of arrangements that can actually make much more efficient cross border trade.

The second area is that we have to take advantage of our potential energy independence, the three countries acting together. That we actually, a major cost factor that is within the control of a reinvented North America is actually how we can harmonize energy policy and make it work for the three countries.

And then lastly, always the stepchild of the North American agenda, the one that the Undersecretary and Goldy referred to, workforce development. This is about human capital. We have extraordinary demographic advantages in North America, particularly if we incorporate the near abroad and Central America, the Caribbean Basin and the Pacific Alliance Countries. But we have to get much more, we have to get better intelligence from the private sector about what exactly are the skill sets that we're going to need to deal with in the future.

And then in response to the political issue of how leadership can bring the public along and in response to question from the gentleman about how do we get people, how do we give an individual voice to these larger decisions. I think the answer is that all politics is local and if we can preserve democratic forms of governance so that in fact local concerns can be communicated, they will inevitably affect the way in which North America and Globalization 2.0 are shaped.

The problem frankly has been the opposite, which is that we haven't been able to take constructive local comment and turn it into a continental asset. To the contrary, differences among our people have been used in a fairly rudimentary and primitive way to divide us and to lead to the kinds of polarization that Goldy alluded to at the outset of this talk. So, this is about recognizing that Globalization 2.0 means a strengthened North America region but also continued governance improvements and the maintenance of democracy, which I believe needs much greater attention than it's gotten in the past.

MR. MELTZER: Thanks, Alan. And, Undersecretary, any final remarks from you?

MS. De La MORA: Yes, thank you, Josh. Just to conclude, I think that we are facing challenges, but I do see tremendous opportunities for North America in this restructuring of supply chains. I think that we have three governments and also, we have civil society and the private sector that are trying to take advantage of these opportunities. We do have challenges, yes, but we have USMCA in place, we have a High-Level Economic Dialogue between Mexico and the U.S., between Mexico and Canada. We have CO dialogues, and we also have a North American Leader Summit. So, we do have institutional mechanisms that allow us to reinvent the things that we need to do to take advantage of the opportunities that we have and the responsibility to make sure that this Globalization 2.0 really gets to everyone and really ensures that prosperity in North America is enjoyed by everyone in our region. Thank you.

MR. MELTZER: Thank you. Well let me just say firstly, thank you to

Undersecretary, Alan, and Goldy for, you know, being panelists and for your excellent remarks and your very thoughtful contributions. It's been a rich discussion.

I'm not going to try to summarize, I will telegraph that we release a flagship annual report called USMCA Forward. Next USMCA Forward 2023 will be looking specifically at a range of the issues that have been brought up today around supply chains and what we need to do from a policy perspective to realize these opportunities and overcome the challenges that we've discussed.

So, I look forward to, you know, working with you, Undersecretary, and your team, and Goldy, you and Alan as well as we develop this work over the next six months.

And I just want to say thank you again for participating. Thank you to the panelists here and online. And with that we'll bring the event to a close. Thanks.

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