

U.S.–Mexico White House Meeting: An Opportunity to Develop a North American Economic Reconstruction Strategy

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KEY TAKEAWAYS

President Trump and Mexican President López-Obrador meet July 8 at a critical moment, with the USMCA's recent entry into force, and the ongoing coronavirus pandemic.

As America's comeback takes off, the U.S. should develop a recovery plan with its two North American partners to safeguard the region's economic and health recovery.

President Trump should propose a trilateral economic recovery commission, policies to prevent supply chain disruptions, and broadened regional health collaboration.

On July 8, 2020, President Donald Trump and Mexican President Andres Manuel López-Obrador will meet at the White House.¹ This visit marks President Trump's and President López-Obrador's first in-person meeting, and the Mexican president's first international trip since assuming office in December 2018. The bilateral meeting comes at a critical moment for the North American partners, with the U.S.–Mexico–Canada Agreement's (USMCA's) entry into force on July 1 and the ongoing coronavirus pandemic.

America's prosperity and safety rely in large part on the high volume of trade, and values shared, with its North American partners. As America's economic comeback takes off, the U.S. should develop a recovery plan with its North American partners to safeguard the region's economic and health recovery. This visit should begin the process in earnest. To provide a

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pathway forward, President Trump should propose a trilateral economic recovery commission, pursue policies to prevent a repeat of North America's supply chain disruptions, and expand regional collaboration on public health matters.

Why the North American Partnership Matters

Mexico and Canada are the most important relationships for the U.S. With Mexico, domestic and foreign policy often meld into one due to the geographic proximity, dynamic trade relationship, and shared security threats. Mexico is the U.S.'s second-largest export market and in 2019, became its largest trading partner, ahead of China and Canada. Mexico is the top export market for every U.S. state along the 2,000-mile shared border. Often lost in discussion about trade policies is the fact that six million American jobs are directly tied to trade with Mexican companies.²

As with all bilateral relationships, there are also key areas where interests deviate. Yet, despite the two countries' divergent approaches to immigration into the U.S., over the past two years the Trump Administration has closed some gaps by broadening bilateral cooperation on illegal immigration in an unprecedented manner. Indeed, despite President Trump and President López-Obrador being on different sides of the ideological spectrum, they continue to advance the bilateral relationship. Beyond issues of immigration, over the past few years both countries have learned to better manage the complexities of the bilateral relationship, recognizing that the dynamic nature of the relationship requires flexibility and cooperation. Yet enduring challenges remain, such as transnational criminal organizations, evidenced by the recent brazen assassination attempt on Mexico City's police chief.³

For the U.S., the bilateral relationship with Canada serves as a linchpin for America's regional and international security interests. The U.S. and Canada are neighbors and close allies. Relations with Canada are rooted in shared values, interests, and deep commercial ties. The U.S. and Canada are both members of the North Atlantic Treaty Organization (NATO) and of the Five Eyes intelligence alliance, and both continue to cooperate on Arctic security and development to counter Russian and Chinese aggression. Alongside the U.S. and Mexico, Canada has transformed North America into a prosperous and competitive free trade region. Combined, the gross domestic product (GDP) of the three USMCA partners is higher than that of all 27 nations in the European Union.⁴ As reported by the U.S. Chamber of Commerce, as many as 12 million American jobs depend on trade with Mexico and Canada.⁵

The U.S. Can Catalyze Economic Growth by Leading North America's Economic Comeback

The timing of the USMCA's entry into force is most fortuitous for North America, as the trade agreement's updates are poised to catalyze the region's economic recovery. While critics may question the timing of the visit during the pandemic, the USMCA's July 1 launch date was determined before the health crisis began.⁶ Similarly, critics also claim that President López-Obrador should not meet with President Trump in a U.S. election year. This perspective ignores the fact that health and economic crises do not recognize electoral timetables.⁷

The economic and health impact of the ongoing pandemic on the North American region has been far-reaching and devastating in terms of lives and livelihoods. In June, the International Monetary Fund predicted that by the end of 2020, the economies of North America would contract by 8.0 percent (United States), 10.5 percent (Mexico), and 8.4 percent (Canada). As of this writing, the coronavirus has officially claimed 129,953 lives in the U.S., 30,639 in Mexico,⁸ and 8,600 in Canada.⁹ While the U.S., Mexico, and Canada are on different timetables for their public health recoveries, they cannot put off planning for the region's economic recovery. The new free trade agreement will serve as a building block.

The USMCA maintains a free trade area for nearly all goods and services traded in North America. The agreement is also poised to expand North America's integrated energy sector and reduce U.S. dependence on oil from hostile countries in addition to improvements in regional mining. The USMCA will also help to reduce North American dependence on the People's Republic of China by taking advantage of the global trend to "de-Sinicize" supply chains, which can produce a shift of manufacturing jobs to North America.¹⁰

To benefit from the USMCA's improvements, U.S. officials must address Mexico's uncertain climate of investment. Since taking office, President López-Obrador has lowered investor confidence by unilaterally rolling back economic reforms and implementing various regressive measures. Mexico's haphazardly implemented health decree, with indiscriminately designated key areas of the economy and manufacturers deemed non-essential, caused wide-spread disturbances throughout key North American supply chains and critical sectors. The trade partners must find a balance with protecting lives and maintaining North America's competitiveness. Aerospace, automotive, technology, telecommunications, defense, and mining industries, among others, were seriously affected when Mexican

facilities shut down. Economic freedom and private-sector confidence are the backbone of North America's economic prosperity and will be vital to its post-pandemic recovery.

What the Trump Administration Should Do

During his meeting with his Mexican counterpart, President Trump should address the issues of the post-pandemic economic and health recovery by:

- **Proposing a U.S.-based trilateral economic recovery commission.** Led by the U.S. Secretary of State and the U.S. Trade Representative, the commission should include senior officials from the Department of Commerce, the Department of Homeland Security, and the Customs and Border Protection, and their respective counterparts in Mexico City and Ottawa. Agenda items should be focused on economic recovery, sharing best practices of pandemic prevention, and reinforcing and diversifying supply chains servicing critical industries to prevent single points of failure.¹¹
- **Developing a trilateral framework in consultation with the private sector, to coordinate essential sectors permitted to operate during a national emergency.** Free-market forces best manage the complexities of economic systems, but right now, Mexico's decision to prohibit key companies and factories from operating has severely affected North American supply chains. Disturbances caused by American and Canadian companies should be addressed as well. Companies in critical industries should be allowed to resume operations under strict health safety standards.¹²
- **Getting all three trade partners to commit to using extreme caution in declaring any service, good, or company “non-essential” in a future crisis.** Governments are inherently incapable of managing every activity and determining the essential nature of every industry in an incredibly dynamic economic system. Free markets manage these processes in a far more efficient and sensible manner.¹³
- **Continuing to allow Mexico to access America's private market for personal protective equipment, and continuing to donate medications where financially feasible, as U.S. health conditions**

improve and the Strategic National Stockpile is replenished. Expediting Mexico's health recovery lessens the duration of its economic pause, which gets it on the road to a quicker recovery. Coordination can be done through existing bilateral public-health-cooperation mechanisms. The longer that Mexico's health crisis continues, the greater the threat to the economic recovery in North America.¹⁴

- **Mitigating internal and external health threats by coordinating travel restrictions.** The U.S., Mexico, and Canada agreed to a prudent temporary suspension of what they agree was non-essential travel across their respective borders to contain the pandemic. Yet there was little coordination among the three countries on suspending flights from international hot spots. The interconnectedness of the North American economies requires deeper coordination of emergency management activities.¹⁵
- **Maintaining strong and effective regional health cooperation.** Policymakers on both sides of the border bear a collective responsibility for developing and maintaining robust capability to counter infectious disease threats at both country and regional levels. This capability includes ensuring that key resources are available to fill gaps in pandemic preparedness, which will save lives and make North America safer and more secure. They must also coordinate domestic public health measures that could affect one another.¹⁶
- **Working with Mexico and Canada to ensure ease of border transit for goods and services.** Mexico and Canada are the United States' largest trading partners, and it is in all three countries' interest to responsibly resume and facilitate cross-border trade flows.¹⁷

Conclusion

Emerging from the pandemic will be a serious challenge for the U.S. and its North American partners. President López-Obrador's visit to Washington is the opportune moment to set the stage for North America's economic comeback and broaden health recovery measures.

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Endnotes

1. As of this writing, only the Mexican president had confirmed his physical attendance in Washington, DC. Canadian Prime Minister Justin Trudeau declined President Trump's invitation.
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4. World Bank, "Data: GDP (Current US\$)," <https://data.worldbank.org/indicator/NY.GDP.MKTP.CD> (accessed June 28, 2020).
5. U.S. Chamber of Commerce, "Did You Know U.S. Trade with Canada and Mexico Supports 12 Million American Jobs?" <https://www.uschamber.com/usmca> (accessed June 28, 2020).
6. Kevin Sieff, "On His First U.S. Visit as President, Mexico's Lopez Obrador to Fly Commercial," *The Washington Post*, June 29, 2020, https://www.washingtonpost.com/world/the_americas/lopez-obrador-trump-washington-commercial-flight/2020/06/29/3e3736ca-ba1f-11ea-80b9-40ece9a701dc_story.html (accessed June 29, 2020).
7. Alfredo Corchado, "Mexico's President Endures Barrage of Criticism as He Announces He'll Meet With Trump," *Dallas News*, June 25, 2020, <https://www.dallasnews.com/news/mexico/2020/06/25/mexicos-president-endures-barrage-of-criticism-as-he-announces-hell-meet-with-trump/> (accessed June 29, 2020).
8. Recently, the Mexican government admitted that the actual death rate could be twice as high as the officially reported number. David Lunhhow and Juan Montes, "Mexico's Covid-19 Death Toll Could Be Twice as High as Official Tally," *The Wall Street Journal*, July 3, 2020, <https://www.wsj.com/articles/mexicos-covid-19-death-toll-could-be-twice-as-high-as-official-tally-11593819788> (accessed July 5, 2020).
9. Johns Hopkins University, "COVID-19 Dashboard," Center for Systems Science and Engineering, <https://gisanddata.maps.arcgis.com/apps/opsdashboard/index.html#/bda7594740fd40299423467b48e9ecf6> (accessed June 29, 2020).
10. Quintana, Roberts, and Kim, "A U.S.–Mexico–Canada (USMCA) Economic Partnership Recovery Plan."
11. *Ibid.*
12. *Ibid.*
13. *Ibid.*
14. *Ibid.*
15. *Ibid.*
16. *Ibid.*
17. *Ibid.*