



Cesar Remis

GUEST BLOG

USMCA: A Regional Partnership Towards Supply Chain Resilience

Mexico, the United States and Canada are friends, partners and allies. There is no other relationship between neighboring countries as complete and cooperative as ours, as we not only share a common productive platform that allows us to compete globally, but we also share the values of freedom and democracy.

As part of the North American region, we have always worked together to face common threats. A clear example of this happened during the first months of the COVID-19 pandemic, when, in a coordinated effort, Mexico, the U.S. and Canada agreed to take joint measures to guarantee essential trade flows through our borders.

In this sense, the COVID-19 pandemic brought important lessons for governments, which are now rethinking their industrial policy, and for businesses, which are migrating from a cost-efficiency supply chain structure to a more resilient scheme to minimize the risk of future disruptions. According to a report published by McKinsey, companies can now expect supply chain disruptions lasting a month or longer to occur every 3.7 years on average, which has reinforced the idea of locating closer to consumption centers through near-shoring and ally-shoring strategies.

This challenge also brings an historic opportunity to enhance the integration of supply chains in North America, making Mexico an ideal destination to attract complementary segments of the supply chains in a large number of industries, particularly those in which we have competitive advantages. In that regard, the USMCA is a key instrument to boost the economic recovery from the COVID-19 global crisis, enabling North America to become the most dynamic and prosperous region of the world.

In July 2021, the Biden Administration published the 100-day review of the



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relevant actions and policies needed to make more resilient critical supply chains, which covers strategic sectors like semiconductors, large capacity batteries, pharmaceuticals and critical minerals. Mexico welcomes the U.S. willingness to work with allies to strengthen supply chains and we are convinced that building resilience from a regional perspective would boost economic recovery, create jobs and make North American products more competitive globally.

The semiconductor supply chain disruptions caused by the economic downturn, forced production shutdowns in companies across the electronic and

automotive sectors and exposed the high concentration of strategic segments of the supply chain. Currently, Mexico supplies some of the key components for the manufacture of semiconductors to the U.S., such as 21% of the total U.S. imports of capacitors and resistors, as well as 30% of all electronic connectors imports, but in order to achieve resilience, the North American partners need to work together to promote further integration in critical high-tech sectors such as the semiconductor industry.

Although North America participates in the semiconductor supply chain, the more complex and capital-intensive segments are concentrated in Asia. This makes the U.S. dependent and therefore less resilient. For example, in 2020, 63% of all U.S. imports of semiconductors and related devices, as well as 73% of printed circuits imports came from Asia, though, this opens a window of opportunity for North America to attract and generate new investments and create jobs.

The numbers above illustrate where we can deepen our North American ties and find opportunity for growth in regional markets. This opens opportunities for North America to attract and generate new investments and create jobs. To prevent future disruption to the supply chain, we should avoid excessive dependence on a single market, and rather seek to ensure availability within the region. North America shares a common production platform built through more than 27 years of integration. The USMCA partners are the ideal allies to advance the U.S.' nearshoring and onshoring efforts.

To learn more about Mexico's technology sector and supply capabilities, please visit: trade.gov/usmca ■

Cesar Remis is the head of Mexico's Office for the Implementation of the USMCA.