THE NORTH American PROJECT

TOWARDS A more prosperous & THE most competitive REGION OF THE WORLD

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U.S.-MEXICO FOUNDATION

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Executive Summary

A success story for almost 40 years

The process of trade and economic integration in North America, which began thirty years ago with the entry into force of the North American Free Trade Agreement (NAFTA) in 1994, has witnessed systemic changes in the world. Throughout these three decades, Mexico, the United States of America (USA) and Canada have shared challenges and opportunities.

Although the effects of NAFTA are evident, they were not exempt from criticism. While trade and investment certainly grew, many of the benefits were not evenly distributed. The treaty proved to be an important instrument for economic growth but did not fully tap into North America's potential.

In the 21st century, North America's objective should be to become the most prosperous and competitive region in the world. To achieve this, **Mexico, the USA, and Canada must leverage the accumulated experience since 1994** to develop and implement an ambitious joint agenda that, in addition to addressing trade and economic issues, also incorporates investments in talent attraction, labor mobility, energy, electromobility, sustainability, medical device technology and semiconductors.

In light of the uncertainty prevailing in these times, three valuable assets support this agenda. First, the three countries have a unique trade agreement in the world that provides certainty to investments and facilitates the movement of goods and people. Second, our economies are complementary. Finally, there exists a global environment and industrial policies that favor the integration and resilience of their supply chains.

These advantages are more relevant in the current context. Major disruptors, such as the impact of the COVID-19 pandemic on supply chains, Russia's invasion of Ukraine, tensions in China-U.S. relations, and the wave of presidential elections worldwide, to mention a few examples, are redefining global trade integration processes. Although the future shape of globalization is uncertain, we can be sure that it will be much more **regional, focused on transparency, trust, and resilience.**

The time for North America is now. The region has consolidated its integration process over three decades, transitioning from the 1994 NAFTA to the 2020 United States-Mexico-Canada Agreement (USMCA/CUSMA/T-MEC). Experience has shown that **trilateral collaboration is more successful than any efforts undertaken individually.** Our messages can resonate strongly and reach farther when directed toward common goals. In other words, the region's success lies in pooling national and industrial efforts to intertwine them into an ambitious project for North America's prosperity.

North America, an ocean liner navigating the waters of a changing world

As the sextennial review of the treaty approaches in 2026, telling the success story from different angles and perspectives is key. This project proposes a narrative, underpinned by four key ideas: The trade exchange under the USMCA; the generation of employment and opportunities that depend on growing trade exchange; regional stability based on common rules and a solid rule of law; and the resilience of supply chains.

There is no better time to start narrating our shared success story. **The success of over 30 years of trade openness and regional integration also enables us to set common goals for the year 2050: to make North America a much more prosperous and the most competitive region in the world.**

Charting a Shared Path to a Promising Future

This common working agenda proposes **five major shared goals to achieve these objectives:**

Goal 1.	Shared prosperity and job creation,
Goal 2.	Economic growth,
Goal 3.	Intraregional and global trade,
Goal 4.	Sectoral, strategic, and infrastructure investment,
Goal 5.	Labor mobility and talent attraction.

The project presents various indicators within the goals to identify the path forward, tools for their monitoring, and a communication strategy to optimize the support of relevant stakeholders.

Goal 1: *Shared prosperity and job creation*

Indicator 1: Generate millions of high-quality jobs.
Indicator 2: Increase per capita GDP and improve wealth distribution.
Indicator 3: Enhance human development.
Indicator 4: Measure social progress linked to trade openness.

Goal 2: *Economic growth*

Indicator 5: Achieve regional growth above the global average.

Goal 3: *Intraregional and global trade*

Intraregional Trade
Indicator 6: Quadruple intraregional trade.
Indicator 7: Ensure commercial engagement at the subnational level.

Global Trade for the Region
Indicator 8: Increase and sustain the percentage of global GDP.

Sector-Specific, Intraregional Trade
Indicator 9: Increase intraregional trade in food products.
Indicator 10: Increase intraregional trade in agro-industry products.
Indicator 11: Increase intraregional trade in medical devices.
Indicator 12: Promote regional pharmaceutical self-sufficiency.
Indicator 13: Increase intraregional supply of electronics.

Sector-Specific, Global Trade for the Region
Indicator 14: Become net exporters of food products at the regional level.
Indicator 15: Increase regional exports of electronics.
Indicator 16: Increase regional exports of the aerospace industry.
Indicator 17: Increase regional exports of medical devices.
Indicator 18: Vertical integration in semiconductor production.
Indicator 19: Increase production and export of rare minerals.
Indicator 20: Increase production of electric vehicles.

Sectoral Regulation
Indicator 21: Maximize the number of countries recognizing regional pharmaceutical regulatory certifications.

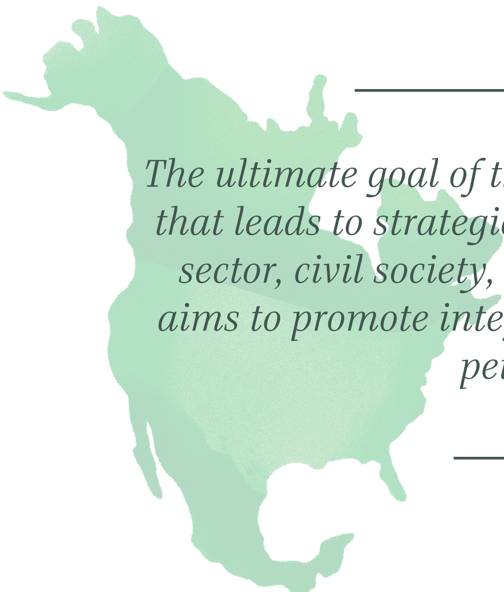
Goal 4: *Sectoral, strategic, and infrastructure investment*

Indicator 22: Foreign Direct Investment Attraction Hub.
Indicator 23: Enhance logistical performance.
Indicator 24: Improve logistical infrastructure.
Indicator 25: Increase clean energy generation.
Indicator 26: High-Technology Exporting Region.
Indicator 27: Reduce regional water stress.
Indicator 28: Program for training experts in water management
Indicator 29: Increase the percentage of electronic transactions.

Goal 5: *Labor mobility and talent attraction*

Indicator 30: Generate more jobs backed up by manufacturing supply chains.
Indicator 31: Promote intraregional labor mobility.
Indicator 32: Quadruple student academic exchange.
Indicator 33: Increase the issuance of intraregional student visas.
Indicator 34: Flexibilize seasonal, non-agricultural, and TN/TMEC (Trade NAFTA/TMEC) temporary work visa conditions: multiple entries, sector and occupation listings, number of visas.
Indicator 35: Increase talent attraction.

The goal monitoring process is complex yet adaptable. Similar to the history of North American integration, this will not be a linear process. Therefore, **the invitation for other relevant stakeholders to join the project involves them developing their own goals,** indirectly contributing to the achievement of overarching objectives. In a way, this document's proposal implies a continuous study and assessment of the North American reality – to verify progress but also to anticipate adjustments in areas where necessary.



The ultimate goal of this project is to foster a continuous dialogue that leads to strategic planning among the public sector, private sector, civil society, and academia in the three countries. This aims to promote integration and enhance North American competitiveness and prosperity.

The data speaks for itself

Mexico, United States, and Canada: current partners with a shared future.

The USMCA (T-MEC/CUSMA) is North America's greatest competitive advantage.

Regional trade generates millions of jobs throughout North America.

The stability and rule of law in North America allows companies to plan and invest.

USMCA (T-MEC/CUSMA) promotes supply chain resilience.

The USMCA (T-MEC/CUSMA) provides certainty in an uncertain world.

Trade openness leads to prosperity.

Trade is a gateway to the future.

Investment in infrastructure builds confidence among investors.

Labor mobility and talent attraction are key to knowledge production and exchange in North America.

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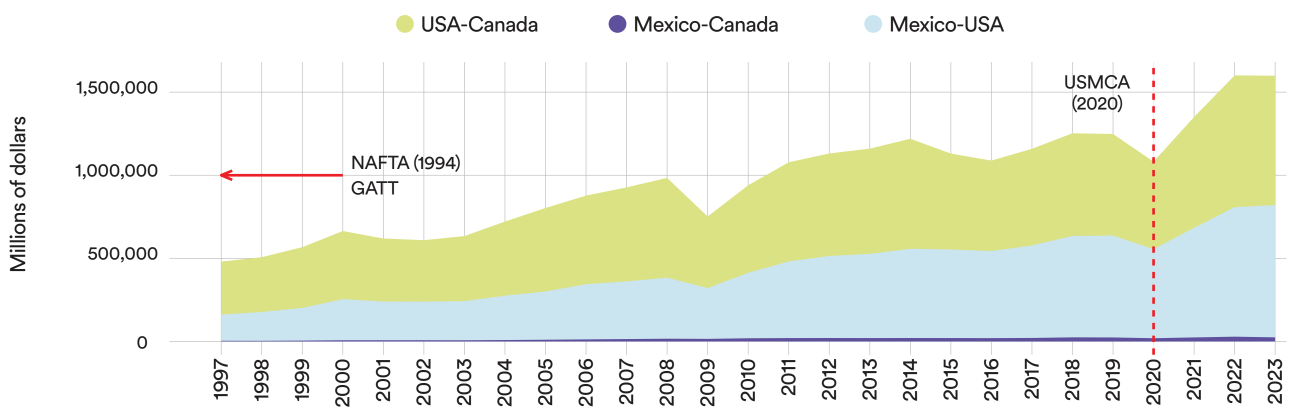
NORTH AMERICA IN DATA, NUMBERS AND FACTS

Mexico, United States, and Canada: current partners with a shared future.

We have 40 years of experience in regional trade openness

- The regional adherence of the three North American countries to the trade rules system known as the General Agreement on Tariffs and Trade (GATT) in the 1980s marked the beginning of a tradition of trade and openness.
- From the signing of the **North American Free Trade Agreement (NAFTA)** in the 1990s to the implementation of the **Mexico-United States-Canada Agreement (T- MEC/USMCA/CUSMA)** in 2020, the region has grown in cooperation, integration and growth.
- Currently, North America engages in internal trade of more than 1.6 trillion dollars. By 2050, it is projected to reach 6 trillion dollars.
- In the last 20 years, trilateral trade in goods increased from 632 billion dollars to more than 1.6 trillion dollars annually, with an average annual growth rate of over 5%.

International commerce between USMCA (T-MEC/CUSMA) members, yearly



Made by México, ¿cómo vamos? With data fromthe US department of commerce and INEGI

The treaty encompasses three G20 countries with diversified economies and membership in the Organization for Economic Cooperation and Development (OECD).

- In 2024, the share of the three North American economies accounts for 29% of the global GDP.
- These three North American countries **rank among the world's 15 largest economies** and possess abundant natural resources, skilled labor, and a culture of innovation

The USMCA (T-MEC/CUSMA) is North America's greatest competitive advantage.

Thanks to the USMCA (T-MEC/CUSMA), Mexico and Canada have become the United States' main trading partners.

- Mexico and Canada are the United States' top two trading partners, and the U.S. is the main trading partner of both Mexico and Canada.
- The United States and Canada account for 85% of all exports that Mexico makes to foreign markets.
- In 2023, Mexico imported USD 323 billion from the United States, a figure higher than the total imports to Mexico from the UK, Japan, Germany, South Korea, and India combined for the same year.

Mexico is Canada's third-largest trading partner, followed only by the United States and China, surpassing countries such as Germany and Japan. It also serves as Canada's most significant export market in Latin America.

- Trade between Mexico and Canada totaled USD 28 billion in 2023.
- Around 1,827 Canadian companies export products to Mexico, and 17,235 import products from Mexico.

Canada and the United States traded 774 billion dollars in 2023.

- Canada exported nearly **20** times more products to the U.S. than to China, **88** times more than to Germany, and **35** times more than to Japan.

CHALLENGE:

The first round of reviews of the USMCA (T-MEC/CUSMA) is in 2026, for which the three countries must agree on the parameters for the review, including the period and duration of the review process, the scope of the issues and the manner in which they propose to resolve them. They will need to define who will participate in the review process; whether social organizations, academia, business and labor unions from the three countries, or just the governments.

Regional trade generates millions of jobs throughout North America.

In sectors related to manufactured goods trade (wholesale trade, transportation and warehousing, manufacturing, financial and insurance services), there are currently 56.5 million jobs across the region:

- In Mexico, 14.5 million jobs are in these sectors, representing 24% of the country's employment in 2023. In the United States, **36** million jobs in 2023; and in Canada, 6 million.

In North America, more than 10 million jobs directly depend on goods exports, not including trade in services or the complex dynamics of supply chains.

- There are approximately **5.5** million jobs in Mexico linked to goods exports within North America, representing more than 9% of the country's economically active population.
- In Canada, around 1.6 million jobs depend on the exchange of goods with its North American partners, and in the United States, this figure rises to nearly 3.2 million jobs.

The stability and rule of law in North America allows companies to plan and invest for the long term.

Mexico, Canada and the United States are among the world's leading recipients of investment.

- In 2023, the U.S. received the most foreign direct investment globally **(311 billion USD),** while Canada ranked seventh **(50 billion USD),** and Mexico eleventh **(36 billion USD).**
- Almost half of the investments Mexico received in 2023 came from its North American partners (Mexico's Ministry of Economy).

The rule of law and legal certainty are key factors in attracting foreign investment.

→ The USMCA (T-MEC/CUSMA) allows economic operators to plan for the long term, and to locate their capital optimally.

→ The autonomy of the authority responsible for administering justice is essential for the sustainability of investments and the economic growth that comes with it. Any impact on this autonomy could harm the business environment in the country, the quality of life, and the relationship with our main trading partners. **In Mexico, clear rules are needed for the administration of justice in light of the constitutional reform of the judiciary.**

USMCA (T-MEC/CUSMA) promotes supply chain resilience.

The USMCA (T-MEC/CUSMA) promotes North American market integration through nearshoring. As production chains transform and geopolitical risks become more acute, companies are seeking to bring their production centers closer to their consumers.

To harness the benefits of nearshoring, North American countries have implemented initiatives to attract even more investment.

→ The U.S. passed the **Creating Helpful Incentives to Produce Semiconductors** (CHIPs Act) and the **Inflation Reduction Act** (IRA). Together, these laws allocate an unprecedented USD 125 billion (USD 53 billion under the CHIPs Act and USD 72 billion under the IRA) to promote **electromobility and semiconductor production in the region.**

— Since the introduction of the **CHIPS Act** in 2020 through 2024, companies within the semiconductor ecosystem have announced more than 90 projects across 28 states, totaling nearly $450 billion in private investments.

→ Mexico has begun to make historically high investments in infrastructure to connect the Gulf of Mexico with the Pacific Ocean and the Caribbean, and further facilitate trade **(Interoceanic Corridor).**

→ Canada has granted similar support to companies producing batteries for electric cars and is also leveraging the potential of the USMCA (T-MEC/CUSMA) by launching a new **Critical Minerals Strategy** (2022) with an initial budget of $4 billion USD.

The USMCA (T-MEC/CUSMA) provides certainty in an uncertain world.

The USMCA (T-MEC/CUSMA) is a modern trade instrument, capable of responding to the demands of society and providing resilience to supply chains in a changing world.

→ The USMCA (T-MEC/CUSMA) incorporates transparent mechanisms for conflict resolution and rules for the development of the region, such as labor rights, environmental protection, promotion of effective economic competition, investment protection, combating corruption, and the promotion of best regulatory practices

→ Through its committees and working groups, the USMCA (T-MEC/CUSMA) promotes the participation of civil society, businesses, labor unions, academia, lawmakers, and other public officials

→ The USMCA (T-MEC/CUSMA) complements a wide variety of bilateral and trilateral dialogue and coordination mechanisms such as the **High Level Economic Dialogues** and the **North American Leaders' Summit.**

Trade openness leads to prosperity.

→ Trade openness leads to prosperity. Trade openness and well-being form a virtuous circle. In Mexico, state openness has brought higher levels of social progress, leading to increased provision of healthcare, education, transportation, and urban services. Furthermore, most of the investments (both realized and announced) related to supply chain relocation in Mexico have been directed to regions with higher levels of social progress.

→ The **U.S.-Mexico Social Progress Index** highlights how regional integration goes beyond trade, reflecting in the quality of life. At the subnational level, Mexican states connected to North American supply chains show levels of social progress comparable to those of southern U.S. states.

- In the **Human Development Index** (HDI, UN), Canada ranks eighteenth, the United States is twentieth, while Mexico is seventy-seventh out of 193 countries (2023-2024).

Trade is a gateway to the future.

North America has the capabilities to expand **agribusiness trade** and become a net food exporting region to the rest of the world.

- Food trade within the region reached approximately 143 billion USD in 2023.

- Between **2013 and 2023,** crops like corn saw a 9% increase in production in North America; however, due to climatic conditions and other factors, crops like wheat and rice experienced a decrease in production of (-)11.2% and (-)2.4%, respectively.

- The **United States and Canada** account for 10% of global agricultural output and represent 12% of global agricultural trade. In **2023,** Canada became the top destination for U.S. exports, surpassing China, while Mexico holds the third position.

> **CHALLENGE:**
>
> Agricultural and agro-industrial activities require a significant amount of water. Agricultural and agro-industrial goals should consider the comprehensive management of water resources through the use of advanced technologies that do not compromise water availability for the population.

Trade in **medical devices** in North America has doubled in the last decade.

- The total trade value of medical devices in the region (the sum of exports and imports) nearly doubled, increasing from USD 12 billion in 2013 to USD 20 billion in 2023.

Most of the global **medical device** exports come from 20 countries, including Mexico and the United States.

- U.S. **medical device exports** accounted for 21.2% of the total global export value, Germany 11.2%, and Mexico 8.99%, placing them in the top 5 alongside the Netherlands and China.

- Between 2012 and 2022, U.S. **medical device exports** grew by 37.2% and Canada's by 112%, while imports into Mexico and the United States increased by over 100% and into Canada by 43.6%.

The health of the population is a priority, and therefore, the region should strive for self-sufficiency in the **compounds, molecules,** and ingredients necessary to develop the **medicines** and **pharmaceutical** products required by the population.

- In 2023, trade in **active pharmaceutical ingredients** within the region was close to 15.4 billion dollars.

The international recognition of North American certifying agencies in the **pharmaceutical** and **medical device sectors** is an ongoing process that offers significant trade and health benefits.

- Since 2016, the food and drug regulatory agencies of the United States (FDA) and Canada (CFIA and Health Canada) have had **mutual recognition agreements** for their **food safety systems.**

- Since 2014, the FDA and its Mexican counterparts (Senasica and COFEPRIS) have been collaborating for the production of vegetables, fruits and greens under **shared food safety and quality standards.** In 2020 they signed a joint declaration of intent.

- In the U.S., one-third of "**FDA-regulated human food imports [...] come from Mexico;** including 60% of [the] imports of fresh produce."

- The Mexican agency COFEPRIS was **recognized in 2012 as a *National Regulatory Authority of Regional Reference for Medicines and Biological Products*** by the Pan American Health Organization (PAHO). Other Latin American agencies recognized by PAHO are those of Brazil, Argentina, Cuba, Chile and Colombia.

- More than 150 countries export FDA-regulated products to the US. Imports of these products include (2024):
  - Approximately 14% of the U.S. food supply;
  - 60% of fresh fruits, 39% of vegetables and 92% of seafood consumed in the U.S.; and,
  - 47% of the **medical devices** used in the USA

Trade in **electrical and electronic goods** in North America has experienced robust growth over the past decade.

- In the last 10 years, trade of these products in the region has increased by 35%, from $135 billion to $182 billion USD in 2023.

- In 2023, the supply of electronics by the countries within the USMCA (T-MEC/CUSMA) represents 28% of the total imports made by these same countries.

- In **2022,** the United States ranks fifth among exporting countries of electrical and electronic goods, Mexico ranks eleventh, and Canada ranks thirty-second.

CHALLENGE:

Asian nations such as China (32.5% of exports in 2022), Taiwan (8.64%), South Korea (6.4%) and Japan (3.6%) dominate the electronics market.

North America is a hub of research, development and production of goods and services for the **aerospace** sector.

- The **United States** is the world's largest exporter in this sector, while Canada is the fifth largest.

CHALLENGE:

Mexico is not among the top exporters in the aerospace sector.

The **semiconductor** industry has experienced significant growth, with annual growth rates ranging from **35% to 60% since 1996.**

- In **2022,** the United States led the world in semiconductor design with over 60% market share, while materials processing and production were highly concentrated in **East Asia,** accounting for more than 70% of global capacity. China specifically is the country where approximately 40% of global semiconductor assembly takes place.

- **Between 2012 and 2022,** semiconductor production capacity increased 11% in the United States and this capacity is expected to triple by 2032. In China, the growth in capacity in the last decade was more than 300%, however by 2032 it is expected to be less than for the United States.

- In the United States, the semiconductor industry employs more than 300,000 people, mainly in manufacturing and design. However, it is projected that these two areas will **concentrate the largest number of vacancies by 2030,** so developing the necessary skills in the North American workforce and facilitating labor mobility will be key.

- In **2023,** the United States had a 50% share of the global semiconductor market, greater than that of Asian countries such as Korea with 14% and China with 7%.

- In May 2023, the US, Canada and Mexico established the first North American Semiconductor Conference to collectively strengthen the semiconductor supply chain in the region, including critical minerals and labor with the aim of increasing competitiveness of the region.

- Mexico issued a decree in October 2023 on tax incentives for the semiconductor industry that include accelerated asset depreciation.

- In April 2024, Prime Minister Justin Trudeau announced a new investment in IBM Canada and the MiQro Collaborative Innovation Center (C2MI), one of Canada's leaders in microelectronics research and innovation, to create more semiconductors and unlock economic growth.

CHALLENGE:

There is ample room to attract material processing, manufacturing, assembly, testing, and distribution of semiconductors to the North American region, which will be used by other industries within the region and around the world.

North America is highly dependent on **critical materials** such as **lithium, zinc, cobalt and nickel** from countries such as China, the Republic of Congo, Chile and Russia.

Currently, mining represents **5% of GDP in Canada, 1.4% in the United States** and **2.6% in Mexico.**

Trade in the **automotive industry** is experiencing double-digit growth.

- In 2023, North America produced approximately 3.6 million **electric vehicles** and in Mexico production was 106,527 units (Mexican Association of the Automotive Industry, AMIA).

Investment in infrastructure builds confidence among investors.

Investing in infrastructure drives trade, creates jobs, promotes the development of local communities, and also strengthens the rule of law in the region.

- Planned and well-managed infrastructure reflects a commitment to transparency, accountability, and compliance with standards and regulations. This instills confidence in investors and ensures that their investments are protected by a solid legal framework.

- Canada ranks seventh in the international **World Bank's Logistics Performance Index,** followed by the United States in 17th place and Mexico in 66th place.

- Within the **World Bank's Logistics Performance Index,** in the category of **infrastructure quality,** North America has shifted from 10th place to 52nd place globally between 2018 and 2023.

North America needs **clean and abundant energy** at competitive prices.

- The transition to clean energy should serve as a platform for the region to meet its emissions reduction goals. The use of natural gas is a part of the process towards energy transition.

- Excluding natural gas, currently, **24.3%** of electricity generation in Mexico comes from clean energy sources, similar to the **21.4%** in the United States but lower than the almost 80% in Canada.

North America must be an **innovation** hub.

- The United States is the fourth largest **exporter of high technology in the world,** while Mexico ranks 10th and Canada ranks 23st **worldwide in 2022.**

The **management of water in the region** is a common challenge, but the countries of North America face different realities.

- Mexico faces significant water stress, which has worsened in recent years. Canada is one of the countries with the largest water resources in the world. In the United States, the situation must be analyzed from a regional perspective: the southern part of the country has traditionally experienced droughts and high temperatures, while the northeast is at the opposite end of the spectrum.

- In 2021, Mexico had a **water stress** level (**freshwater withdrawal in proportion to available freshwater resources**) close to 45%, followed by the United States with 28% and only Canada with 3.7%.

- Chapter 12 of the USMCA (T-MEC/CUSMA) provides the basis for promoting and adopting good practices in the use and care of water, through sectoral annexes.

Allocating sufficient budgets to invest in water infrastructure projects is essential.

- In Mexico, the budget of the National Water Commission (CONAGUA) has **decreased steadily over the last ten years,** while the United States increased the budget of the Environmental Protection Agency (**EPA**) for water projects, and Canada has **committed to invest** a significant amount of resources over the next ten years.

CHALLENGE:

It is essential to improve the use, conservation, reuse, and investment in the integrated management of water and ensure access to clean drinking water for the population

Financial inclusion and the development of new businesses based on digital financial instruments (fintech) is key to offering the population and small businesses better financing conditions for production and consumption.

Labor mobility and talent attraction are crucial for the production and exchange of knowledge in North America.

The region needs a framework for **labor mobility** and **talent attraction** that ensures:

1. Promoting the mobility of skilled labor within the region to meet the labor needs of each of the three countries is essential.

- Currently, Canada's Seasonal Agricultural Worker Program (SAWP) has a limit of 30,000 visas per year for Mexico.

- The US grants 66,000 H2-B visas per fiscal year and by 2024 an additional **64,716** were added, the majority of which are reserved for returning workers and citizens of Central American countries.

- The number of temporary work visas (Trade NAFTA/USMCA) for the United States issued to Mexicans was approximately **32,904** in 2023.

- Non-agricultural work visas in the United States have a validity period of 1 year instead of 3 years.

2. Offering schemes for training and ongoing education to ensure that workers can upgrade their skills and stay relevant in the face of technological changes is crucial.

3. Promoting the attraction of highly qualified talent is crucial.

→ During **2022,** the most popular destinations for Mexican students were: Canada in first position, the United States in second and Spain in third.

→ The most common destinations for **Canadian students** during that same period were the United States in first place, and Mexico is not among the first ten positions occupied by European and Asian countries.

→ In the case of students from the United States who participated in student exchanges in 2022, neither Canada nor Mexico was among the ten most frequent destinations during that period. Mexico occupied eleventh position in that same period, but in 2023 it fell one position.

→ In the **international entrepreneurs** category of the OECD talent attractiveness indicator, Canada ranks 3, the United States 8 and Mexico 36.

→ In the **potential startup founders category** of the OECD talent attraction indicator, Canada is in first position, the United States in second and Mexico does not appear in the registry.

→ In the **category of university students** within the OECD talent attraction indicator, the United States ranks first, Canada sixth and Mexico thirty-fifth.

The most evident example of commercial integration: the Auto Industry

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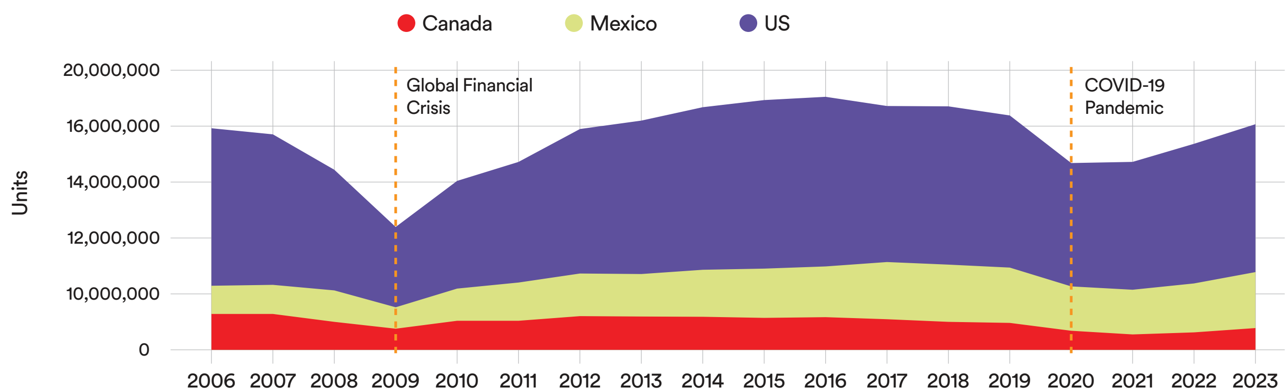
North America in Motion: The Integration of the Auto Industry through Free Trade Agreements

North America Auto Industry by numbers

The auto industry is the largest component of total North American trade (22% of the USMCA trade, USTR).

North America's motor vehicle production



Source: OICA

In 2023, North America's motor vehicle production reached over 16 million units, marking a remarkable 21% growth since the COVID-19 pandemic.

Driving the economy | Jobs

→ United States: The auto industry employs 9.7 million people directly and supports an additional 11 million jobs through its vast supply chain (2024, USTR)

→ Mexico: With 1 million direct jobs, the industry influences a staggering 20 million jobs across multiple sectors, demonstrating its broad economic reach (2024, AMIA).

→ Canada: The industry accounts for 462,000 direct and indirect jobs, playing a crucial role in the country's economy (2023, StatCan).

How It Started?

The integration of the North American auto industry began in the early 20th century, led by the expansion of the Ford Motor Company. In 1903, Ford revolutionized car production in the U.S. with the introduction of the assembly line, making automobiles affordable to the masses. In 1904, Ford expanded into Canada, establishing its first international subsidiary in Windsor, Ontario, just across the river from Detroit.

Following Ford's lead, General Motors and Chrysler—the other members of the Big Three automakers—also established a significant presence in both the U.S. and Canada. This development laid the foundation for Motor Alley, a region stretching from the Great Lakes to the Gulf of Mexico, where a cluster of automakers and suppliers thrived. Detroit's proximity to Canada played a crucial role in cross-border industrial development.

Meanwhile, Mexico followed a different path. In 1925, Ford opened its first assembly plant in Mexico, but the government's policy of import substitution kept the Mexican market closed to foreign competition. As a result, Mexico's auto industry focused primarily on local demand, resulting in smaller-scale production, higher costs, and lower-quality vehicles.

NAFTA: Shifting gears toward integration.

The turning point for the North American automotive industry came with the implementation of the North American Free Trade Agreement (NAFTA) in 1994. NAFTA fundamentally reshaped the industry by eliminating trade barriers and tariffs between the U.S., Canada, and Mexico, creating a unified market. For the first time, Mexico became fully integrated into the North American auto supply chain, transforming from a relatively isolated player to a key hub for auto parts production.

Mexico's lower labor costs and strategic location made it a key hub for efficient parts sourcing. This led to the emergence of key automotive corridors across North America. In the U.S. and Canada, the Great Lakes Corridor, from Michigan to Ontario, remained a dominant center for vehicle production, while Mexico's Bajío Corridor became a major hub for global automakers. The US-Mexico border, particularly the El Paso-Juárez and Laredo-Monterrey corridors, facilitated rapid cross-border trade. Crucially, auto parts often cross the borders of the three countries multiple times before final assembly, illustrating the deep integration of the North American supply chain. In some cases, a car's components may cross the borders as many as eight times before becoming a finished vehicle[1].

This cross-border integration turned Mexico into a crucial manufacturing center for components like engines, transmissions, and other vital auto parts that crossed the borders of all three countries multiple times before becoming a finished vehicle. The evolving integration sparked a surge in production, investment, and innovation, making the North American auto industry one of the most interconnected in the world.

From NAFTA to the USMCA opportunity.

Shared prosperity through labor rights and regional content requirements

One of the major shifts from NAFTA to the USMCA is the emphasis on labor rights and worker protections. The USMCA includes provisions aimed at improving labor conditions, particularly in Mexico. A key update is the requirement that 40% to 45% of auto content must be made by workers earning at least $16 per hour. This measure is designed to create more wage parity across the region, supporting higher labor standards and discouraging the outsourcing of jobs to lower-wage regions[2].

Additionally, the USMCA mandates reforms to Mexico's labor laws to protect workers' rights to organize and form unions. These changes aim to ensure that Mexican workers can freely negotiate for better working conditions, aligning the country with U.S. and Canadian labor standards.

Another key feature of the USMCA is the increase in regional content requirements. Under the new agreement, 75% of a vehicle's components must be sourced from North America, up from 62.5% under NAFTA. This change

1 Congressional Research Service (CRS). 2021.USMCA: Motor Vehicle Provisions and Issues. United States Government

2 Gantz, David A. 2019. The United States-Mexico-Canada Agreement: Tariffs, Customs, and Rules of Origin. Baker Institute Report no.02.21.19. Rice University's Baker Institute for Public Policy, Houston, Texas.

is intended to promote local manufacturing and reduce dependency on parts from outside the region, further deepening the integration of the North American auto industry. Moreover, 70% of the steel and aluminum used in vehicles must originate from North America.

Driving Innovation.

The shift from NAFTA to USMCA comes at a critical time for North America's auto industry, driven by the rise of new technologies such as electric vehicles (EVs), hybrids, plugging hybrids and hydrogen solutions. As climate change reshapes priorities, North America is well-positioned to lead this transformation by leveraging its integrated supply chains and shared expertise.

Automakers in the U.S., Mexico, and Canada are ramping up EV and hybrid production, creating new jobs in battery manufacturing, assembly, and infrastructure. Hydrogen technology, particularly for long-haul transport and heavy machinery, also presents a significant opportunity for innovation.

Maximizing the potential of these technologies depends on the resilience of North America's supply chains. The USMCA fosters stronger regional cooperation, reducing reliance on external suppliers and mitigating global risks, positioning the region at the forefront of the future of mobility.

Beyond trade

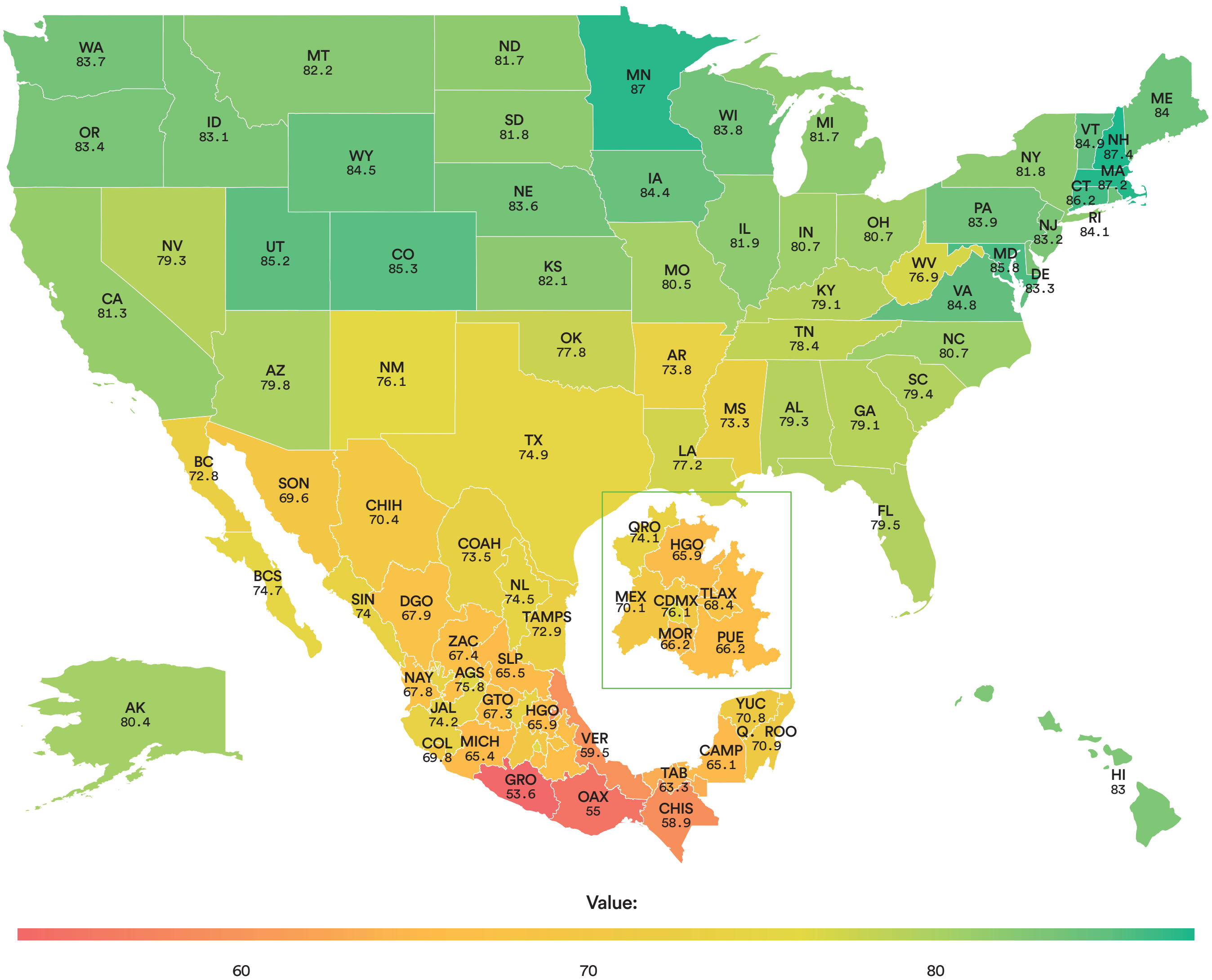
Regional integration encompasses well-being

Mapping Shared Prosperity

What is needed to enhance well-being and competitiveness across the US and Mexico?

Social Progress Index

Social Progress Index USA-Mexico



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The **relationship between the United States and Mexico** goes beyond commercial ties, suggesting a deeper **socio-economic confluence** shaped by agreements like NAFTA and its successor, the USMCA.

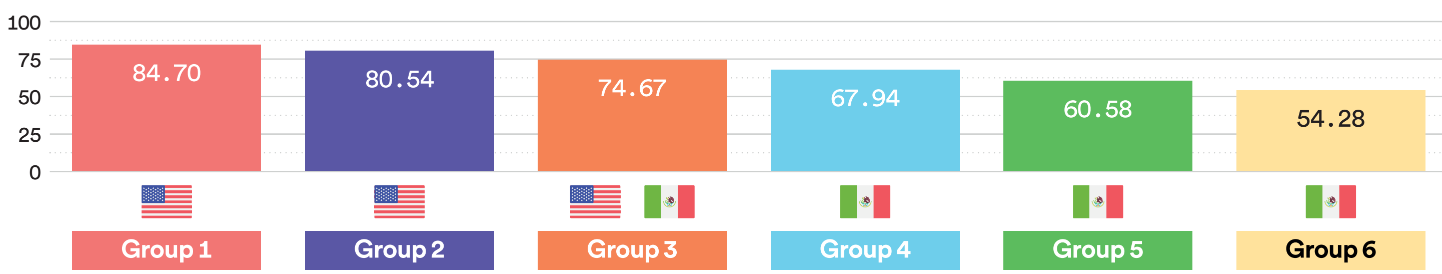
This confluence is **evident in the southern United States and northern Mexico,** where critical aspects of social well-being, including healthcare and education, thrive, illustrating a mosaic of shared prosperity and regional cohesion.

México, ¿cómo vamos?, in collaboration with the ***Social Progress Imperative*** and ***INCAE,*** presents Mapping Shared Prosperity —a vivid depiction of the interconnected well-being of states across the US and Mexico. Drawing on the comprehensive data of the Social Progress Index[1] for 2022, this map offers an insightful subnational perspective on quality of life beyond economic indicators.

In the realm of advanced education, Mexican states show potential for growth to align more closely with their US counterparts, underscoring an opportunity for progress. Interestingly, a Similarly, the gap narrows significantly when we consider basic education and information and communication technology sectors, highlighting how integral these areas are to mutual benefits derived from US-Mexico integration.

Fundamentals of wellbeing

SPI USA-Mexico



Group 1	Group 2	Group 3	Group 4	Group 5	Group 6
New Hampshire	Hawaii	Louisiana	Quintana Roo	Tabasco	Oaxaca
Massachusetts	Montana	West Virginia	Yucatán	Veracruz	Guerrero
Minnesota	Kansas	New Mexico	Chihuahua	Chiapas	
Connecticut	Illinois	Texas	México		
Maryland	South Dakota	Arkansas	Colima		
Colorado	New York	Mississippi	Sonora		
Utah	North Dakota	Ciudad de México	Tlaxcala		
Vermont	Michigan	Aguascalientes	Durango		
Virginia	California	Baja California Sur	Nayarit		
Wyoming	North Carolina	Nuevo León	Zacatecas		
Iowa	Indiana	Jalisco	Guanajuato		
Rhode Island	Ohio	Querétaro	Puebla		
Maine	Missouri	Sinaloa	Morelos		
Pennsylvania	Alaska	Coahuila	Hidalgo		
Wisconsin	Arizona	Tamaulipas	San Luis Potosí		
Washington	Florida	Baja California	Michoacán		
Nebraska	South Carolina		Campeche		
Oregon	Alabama				
Delaware	Nevada				
New Jersey	Kentucky				
Idaho	Georgia				
	Tennessee				
	Oklahoma				

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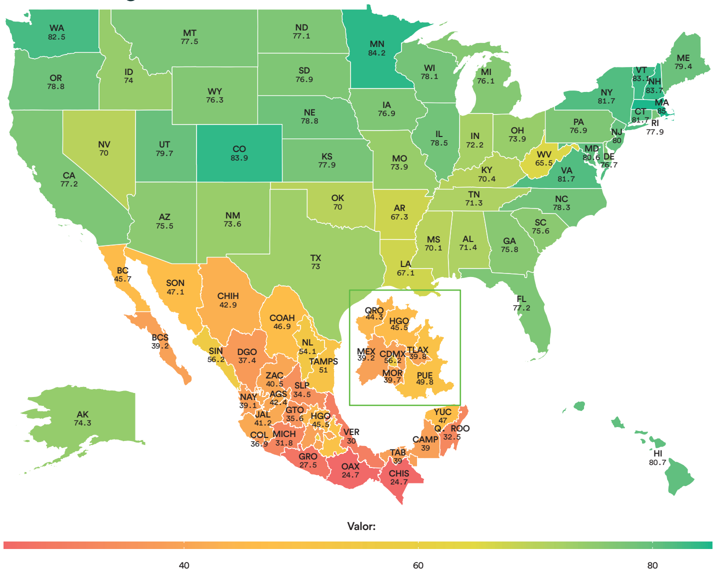
1 The index takes values from 0 to 100, where 100 represents the highest level of social progress possible while 0 represents the lowest possible level.

Advanced Education
Social Progress Index USA-Mexico



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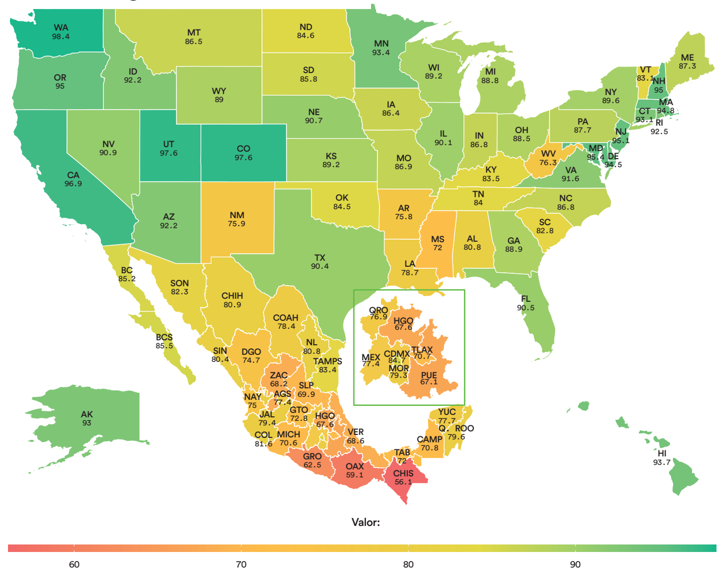
Information and Communications
Social Progress Index USA-Mexico



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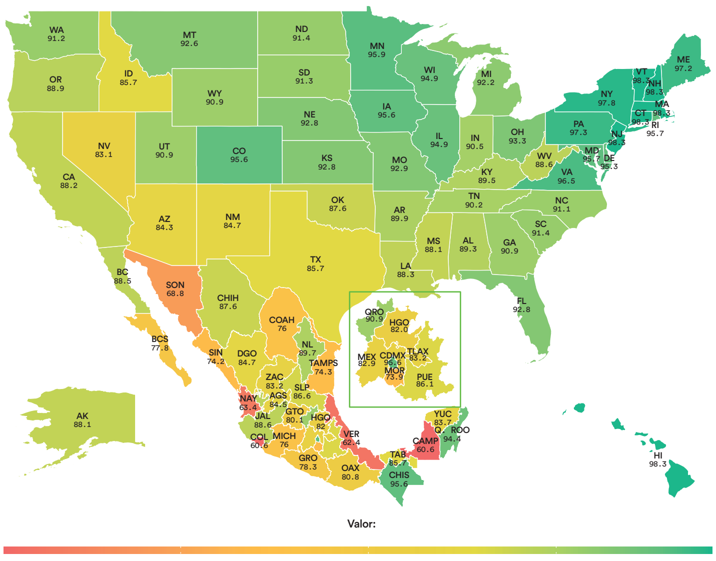
The parity between basic education and digital connectivity sets a strong in foundational education and digital connectivity sets a strong precedent for the future, where the digital economy stands out as a prime area for cooperative growth. Leveraging this synergy promises to catalyze well-being and prosperity, illustrating how the interconnected economies such as the US and Mexico are ready to flourish in the coming years.

Basic Education
Social Progress Index USA-Mexico



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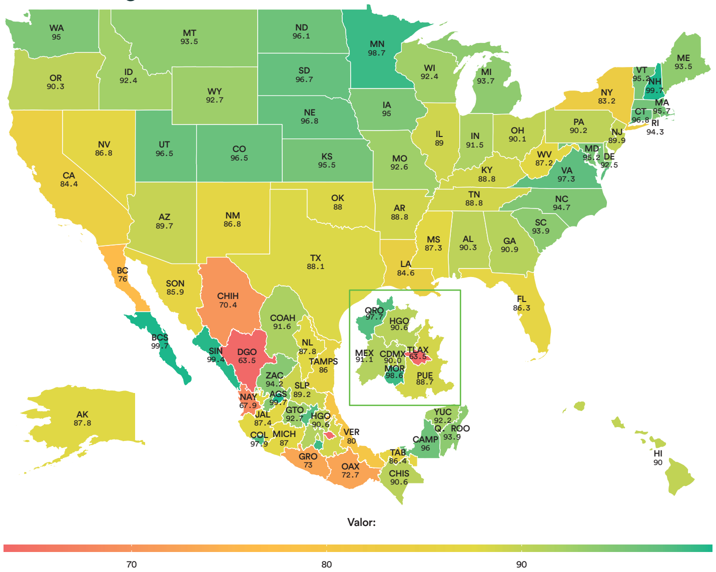
Challenges of the US-Mexico Well-being Map

As the Well-being Map reveals, nutrition and basic healthcare remain areas of critical challenge but also of significant opportunity across the US-Mexico region. While the results are not homogeneous between regions of both countries, the Baja Peninsula in Mexico the Baja Peninsula in Mexico stands out, showcasing the effectiveness of its health and nutrition strategies. These results reflect a concerted policy effort that may serve as a model for other regions. It is evident that targeted policies can have a substantial impact, as demonstrated by the positive outcomes in the Baja California Peninsula. Learning from such successes, it is imperative to adopt and adapt these strategic measures to improve well-being throughout North America.

Nutrition and Medical Care

Social Progress Index USA-Mexico



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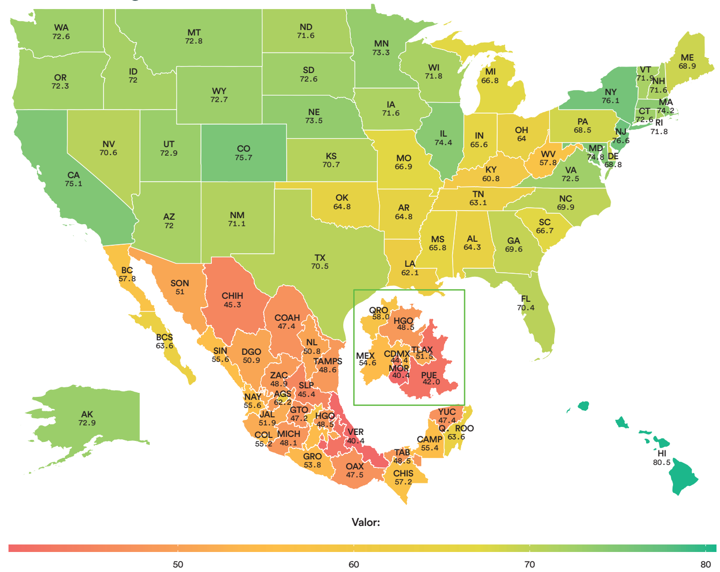
Health

Social Progress Index USA-Mexico



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Another challenge is the "Health" component that presents a diverse landscape of outcomes. This map offers a visual representation of where states on both sides of the border stand in terms of healthcare services and general well-being. A notable observation is the variability across regions, reflecting the different policy approaches and levels of investment in health infrastructure. While some areas exhibit robust health metrics, others highlight critical needs for improvement. The data serves as a benchmark for policymakers to identify best practices and prioritize interventions that could elevate the health and wellness of the population, thereby contributing to the overall prosperity of the region.

The comprehensive data reflected in the US-Mexico Prosperity Map underscores the undeniable importance of further integration between these neighboring nations. A collaborative approach not only fosters a more prosperous and competitive region but also enhances the quality of life for its citizens. As we consider the varied landscapes of health, education, and digital connectivity, it becomes clear that our shared future hinges on the deepening of these ties. By addressing disparities and building on mutual strengths, the US and Mexico can chart a course towards a dynamic and resilient partnership, one that is capable of meeting the challenges of the future and delivering benefits that resonate across borders.

Beyond trade
cultural integration

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Fútbol and regional identity: making the concept of North America tangible

By Amy Glover[1]
@chilangagringa

- → The 2026 North America World Cup, a worldwide celebration *en nuestra casa,* is a once in a lifetime opportunity to embrace a **regional identity** that absolutely everyone can be proud of.
- → Ensuring that the 2026 World Cup is a catalyst for a **North American identity** requires **vision, action** and **funding.**
- → Let's spur its potential to create a lasting affirmation of **a vibrant and inclusive North American identity!**

The countries of **North America** have become economically integrated over the last thirty years, but the concept of a **regional identity still remains elusive.** We need to find new ways to transition from the policy discussions centered in Washington, DC, Mexico City and Ottawa to strategies that help **convince all of our citizens that by working together on the thorniest issues of the day, our countries are better off together.** When the global sport of *fútbol* -or soccer- takes center stage during the upcoming **North America World Cup** in 2026, it might just provide us with a way to establish a more **emotional connection to our neighborhood.**

Over the last several years the world has moved away from multilateral-based solutions toward greater regionalization. No doubt geopolitical tensions - armed conflicts in the Middle East, Ukraine, the strained relationship between the US and China, and a global trend toward polarizing politics - have fueled this dynamic.

Today Mexico, the US and Canada together represent 29% of world GDP and have substantial competitive advantages in areas such as energy, water, minerals and food security. What we lack, however, **is a more holistic vision of how to work together to build sustainable, prosperous and healthy societies.** Our challenge is organizational and cultural. Establishing ambitious efforts to find common solutions for shared problems is both wise and pragmatic, but national politics and parochial prejudice too often get in the way.

It is within this complex context that in 2026 the North American nations will jointly host the first ever regional World Cup. *Fútbol,* the "beautiful game," is the most popular sport on Earth, and it is also now a common sport between the three countries, with the US and Canada increasingly giving Mexico a run for its money on the pitch.

This worldwide celebration, *en nuestra casa,* is a once in a **lifetime opportunity** to build a political and cultural vision that can sustain the economic reality from the bottom up, allowing us to **embrace a regional identity that absolutely everyone can be proud of.**

Achieving this goal will require vision, action and funding. So let's get moving!

To take this **quantum leap in cultural identity,** however, we need to act now to **establish the narrative** and the concrete actions that will allow our connections and affinities to visibly shine. **Mexico, the US and Canada share** more than we often recognize: **art, sports, music, culinary traditions and family ties** do not stop at the border but are fused in a jazz-like synergy that can be the background tones of the celebration of competitive football.

Ensuring that the 2026 World Cup is **not just another massive sporting event,** but a catalyst for a **regional shift in thinking will require vision, commitment, and resources.**

1 Economist and political scientist, expert in U.S.-Mexico bilateral relations, North American citizen, and Mexican by choice.

The many organizations gathered within the **NorthAmericanProject.com** and at the North Capital Forum in Mexico City to exchange ideas on regional challenges can offer guidance on how to make the most of this rapidly approaching moment.

With proactive steps, we can transform this quadrennial celebration into a **lasting affirmation of a North American identity** that is vibrant, inclusive, and worthy of pride.

For more information, visit the official website of
The North American Project

www.thenorthamericanproject.com

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