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# North American partners are the missing links in the Indo Pacific Economic Framework

By Juan Carlos Baker

## Introduction

A lot has happened in trade matters since the United States withdrew from the Trans-Pacific Partnership (TPP) in 2019. The TPP entered into force in December 2018 without the United States but including Mexico and Canada. It was then rebranded as the Comprehensive and Progressive Transpacific Partnership (CPTPP). Subsequently, the United Kingdom, China, Taiwan, Ecuador, and Costa Rica all applied for CPTPP membership, while 15 Asian countries, including China, launched a

separate Regional and Comprehensive Economic Partnership (RCEP) in 2020.

Despite the several crises that North America and other regions have endured - supply chains congestion, the deep economic crisis sparked by Covid-19, and the increase geopolitical tensions to name a few – trade and economic ties remain at the top of the agenda when considering what North America's relationship with Asia-Pacific should be.



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In lieu of a serious discussion about a possible return of the United States to the original Trans-Pacific Partnership, the Biden administration launched the Indo-Pacific Economic Framework for Prosperity (IPEF). It is not necessarily as a substitute initiative, but rather as a new concept that encompasses what are, for the current U. S. administration, the most important trade-related topics and fully aligned with its domestic agenda.

We may debate whether this is the correct agenda or not. We may consider that there are key topics missing from its workplan. We could even argue that the IPEF is not up to the ambition that the United States should have for its Asia-Pacific policies. But an inescapable truth is that, as of now, that is the platform that the United States is promoting and throwing its full weight behind. Moreover, even if the IPEF does not incorporate topics that are important for Asian countries (especially access to the US market) that has not hindered countries from participating in the initiative.

Unfortunately, the new Indo-Pacific Economic Framework as of now does not include Mexico or Canada – a misstep that must be corrected for North America to remain competitive and to

fully interconnect the already existing network of value and supply chains across the continent to the Indo-Pacific region. In this paper, we focus on the key role that Mexico can play in the Indo-Pacific Economic Framework, as a privileged US partner under USMCA. Another collaboration track should include the three North America neighbors, suggesting a strong case for Canada's participation.

### The Indo-Pacific Economic Framework for Prosperity (IPEF)

Contrary to what a traditional trade negotiation might offer, when President Biden launched announced the IPEF on May 23rd, 2022, it was presented as modular project, grouped around 4 pillars:

- **Connected economy:** higher standards and rules for digital trade, such as cross-border data flows.
- **Resilient economy:** resilient supply chains that will withstand unexpected disruptions like the pandemic.
- **Clean economy:** targeting green energy commitments and projects.
- **Fair economy:** implementing fair trade, including rules targeting corruption and effective taxation.



The IPEF was conceived as a much more flexible platform: countries may sign on for an individual IPEF module, without necessarily endorsing others, and Congressional approval may not be even necessary. There is no doubt that the list of topics covered in the IPEF are indeed issues that demand urgent work and coordination, particularly those under the pillars of the “connected economy” and “resilient economy” that many see as the wave of the future.

This is precisely the reason why Mexico’s participation in the IPEF is of critical importance. As the United States tries to influence and craft the new rules of trade, the integration that Mexico and the United States have is an example to follow, as well as a real-life laboratory of how those new rules are implemented in developing countries. After two years, the USMCA (the United States-Mexico-Canada trade agreement) has provided much-needed support to building more resilient supply chains by promoting trade and business opportunities with the highest standards in labor, environment, and digital environment. Moreover, some of the IPEF members are already preferential partners with Mexico under the CPTPP.

Mexico’s participation in the strengthening of regional supply chains is more crucial because Mexico and the United States are also working

in the High Level Economic Dialogue and other institutional arrangements such as the North American Leaders Summit agenda on supply chain resiliency, cyber and telecommunications network policies, and cross border management to strengthen co-production and value chain networks. This importance of these dialogues with US neighbors will be deepened further as new legislation in the United States, such as the CHIPS Act and the Inflation Reduction Act, is implemented.

Indeed, *nearshoring* is already happening with Mexico, as evident in a strong demand for construction land storage spaces in northern Mexico. The country received 27 billion dollars in foreign direct investment in the first six months of 2022. US-Mexico and North American trade is fully recovered from the Covid-19 crisis and is heading for a record year in 2022.

If we are to think about strong and resilient supply chains, building bridges between Asia and North America, Mexico can play a vital role in connecting and cementing together the ends of the supply chains on the shores of the Pacific Ocean. The current members of the IPEF, and particularly the U.S., should strongly consider the great value added of Mexico’s participation as this Indo-Pacific initiative moves forward.





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