



**U.S.-MEXICO  
FOUNDATION**



Trilateral  
Competitiveness

# **A US-MEXICO SHARED- PROSPERITY ROADMAP**

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**POLICY-RECOMMENDATIONS FOR THE  
HIGH-LEVEL ECONOMIC DIALOGUE  
(HLED) & THE NORTH AMERICAN  
LEADERS' SUMMIT (NALS)**

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## Executive Summary

The Chapter 26 Program (C26+) –a name inspired by the USMCA’s Chapter 26 on competitiveness– aims to create **policy recommendations** for governments and the private sector to advance the **region’s competitiveness** and seize the geographical, legal, economic, and social advantages of North America.

C26+ consists of three thematic working groups: Smart Borders, Innovation & Entrepreneurship, and Digital Economy. The C26+ working groups include **60+ members**, representing more than **50 American and Mexican companies, leading think tanks, and universities**.

Since its foundation in May 2021, the C26+ working groups have met quarterly to draft the following proposals.

### Smart Borders

1. Increase and sustain constant **trainings and feedback** to Mexican and U.S. officials
2. Strengthen **consistent stakeholder consultations**
3. Enhance **Trusted Shipper programs** with technology and push for **joint inspections**
4. Relaunch the **Border Governors Conference** with updated objectives and **advisory committees** from the private and social sectors
5. Include the **private sector** in the Bicentennial Framework for Security, Public Health, and Safe Communities implementation and **homogenize bilateral essential industries**

### Innovation & Entrepreneurship

1. Increase financing for **binational market intelligence**
2. Create the first loss guarantee system supported by a U.S. entity for **pension funds to invest in SMEs**
3. Provide **soft financing** and **subsidy** programs for **Micro and Small Businesses**
4. Create a **Binational Entrepreneurship Program**

### Digital Economy

1. Publicly adopt and promote a **North American Digitalization Strategy**

## Introduction

The [Chapter 26 Program](#) (C26+) aims to create policy recommendations for governments and the private sector to advance the region's competitiveness and seize the geographical, legal, economic, and social advantages of North America. The C26+ was inspired by the Mexico-United States for Entrepreneurship and Innovation Council (MUSEIC), a mechanism that created the foundations of a binational network of entrepreneurs between 2013 to 2018.

The **C26+ Program objectives** include:

1. **Follow up** and **support** the national governments on the implementation of the **USMCA** during the next five years, prior to the agreement's first review.
2. Make **policy recommendations** and proposals.
3. Advance binational and trinational **initiatives** that **foster competitiveness** in North America.

The first activity of the program was the [C26+ Workshop](#) hosted by the U.S.-Mexico Foundation (USMF) with the support of the Amazon Web Services (AWS) Institute in May 2021. During the event, 30+ experts and 300+ stakeholders discussed and reflected on the opportunities and challenges surrounding **USMCA's Chapter 26 on Competitiveness**.

The program also hosts the **C26+ Group**, an invitation-only, independent group of relevant North American stakeholders divided into three working groups: Digital Economy, Innovation & Entrepreneurship, and Smart Borders.

In 2022, the **C26+ Group** has aligned its efforts and recommendations to prioritize the workplan and goals of the High-Level Economic Dialogue (HLED) and the North American Leaders' Summit (NALS). The three C26+ Working Groups offer proposals for consideration of the U.S. and Mexican authorities, as well as for the private sector.

# Smart Borders

## Context

In April 2022, the U.S.-Mexico relationship faced an extraordinary event that disrupted North American trade and supply chains. Governor Greg Abbott announced a policy that obliged the Texas Department of Public Safety (DPS) to perform “enhanced safety inspections” on commercial vehicles. This led to long delays, social protests, and, ultimately, to a border gridlock that jeopardized cross-border dynamics and the spirit of the USMC. The gridlock yielded an estimated **4.2 billion USD loss** only for the state of **Texas** alone and forced 25,000 export shipments to be stalled in Tamaulipas daily.

The border is not monothematic but pluralistic. Migration, security, and trade issues converge with local concerns such as the environment, water supply, and cross-border social dynamics. **Multiple Mexican and American stakeholders showed their commitment** by sensitizing other border governors and advocating against similar measures. Stakeholders worked together to find alternative routes for continuous trade. This holistic participation serves as example for future border management. **The existing border management policies must be updated to support the dynamics of the 21<sup>st</sup> Century.**

## Recommendations

1. **Increase and sustain constant trainings and feedback to Mexican and U.S. officials.** From Washington D.C. and Mexico City to the local and county level leadership, it is instrumental to have updated and highly trained officials on border issues such as logistics, upcoming technologies, and border management. Specially with the increased -and no expert- military personnel in Mexico. This can boost border productivity, facilitate trade, and improve coordination.
  - a. **Leverage existing certification and executive programs** to have compulsory re-skilling of mid-level Mexican Customs and US CBP officials. For example, through the [Instituto Universitario CAAAREM](#) and its MOU with the World Customs Organization’s PICARD Programme or gatherings hosted by border universities or international agencies such as [FRONTEX](#) and the International Centre for Migration Policy Development.
  - b. Design the ***U.S.-Mexico Transborder Fellowship*** to give federal and local policymakers an in-ground understanding of what trade and the supply chains entail for the private sector and the economy.
2. Strengthen **consistent stakeholder consultations.**
  - a. Foster a **permanent bilateral dialogue** between border governments, residents, and private sector stakeholders. The **Arizona-Mexico Commission** is a **model** that should be adapted and replicated along the border. Customs agencies should have spaces to share the most pressing issues and where business chambers, companies, and research centers can share data and analysis to the authorities. Governments should regularly convene multi-stakeholder consultations where border-natives have greater influence in the policy-making process.

3. **Leverage modern technologies to enhance Trusted Shipper programs and push for joint inspections.** This can help speed up current customs processes and ensure safer trade.
  - a. Implementing technologies that support multi-stakeholder interests like **digital verifiable credentials** will expedite customs processes and the flow of goods and people. [A standard electronic data format](#) approved by both governments will allow customs brokers, carriers, companies, and trade-related stakeholders to increase their exchanges while also increasing both governments' abilities to enforce tariff and security regulations efficiently. Consider fostering public-private partnerships to advance in this endeavor.
  - b. Encouraging Mexican stakeholders (e.g., IMMEX/Maquiladoras), to apply for certifications such as **Customs Trade Partnership Against Terrorism (C-TPAT)** or **Authorized Economic Operator (OEA, in Spanish)**, granted by U.S. and Mexico's authorities respectively. Likewise, the Mexican government should consider testing [digital verifiable IMMEX Certificates](#) which can streamline trusted trader facilitation benefits management.
4. Relaunch the **Border Governors Conference** with updated objectives and advisory committees from the private and social sectors.
  - a. The mechanism should be accompanied **bi-national business councils** represented by the highest-level leaders in each business association making border crossings key topics and action items.
5. The COVID-19 pandemic effects in the border should be a constant reminder of the relevance of anticipating crises by **having a tailored coordinated strategy for essential industries.**
  - a. Create the “**U.S.-Mexico Smart Border principles**” for border trade, travel, environment, technology, security, migration, management, and public health.
  - b. Define and homogenize bilateral **essential industries**, such as agribusiness and medical equipment, to prepare for future disruptions and mitigate its effects on travel, trade, and the economy.
  - c. Include the private sector in the **Bicentennial Framework for Security, Public Health, and Safe Communities.**

# Innovation & Entrepreneurship

## Context

There is need for greater awareness of the **startup and entrepreneurial ecosystem** at the U.S.-Mexico border. The region is innovative and should attract more capital and support from the private and public sector through local governments, consulates, and business organizations.

Despite comprising most of the business units in both countries, Small and Medium-sized Enterprises (SMEs) rarely have operations beyond their local markets due to the **unawareness of the opportunities** for their products and services.

Additionally, unlike the U.S. and Canada, **pension funds** in Mexico do not invest in SMEs due to a higher risk of default and there is need of stronger intermediate markets that expand regional development hubs.

Lastly, most of the resources and programs for entrepreneurship are focused on innovation and technology-related companies. However, most of the businesses in Mexico and the U.S. operate in the service and commerce sectors. A significant portion of these businesses lack of credit and financing opportunities and are not part of the formal economy. Both countries need to leverage the formalization and the business development of SMEs.

## Recommendations

### 1. Increase financing for binational market intelligence.

- a. Governments should cast capital to leverage current available resources (analytics, insights, consumer barometers, SMEs acceleration programs) by universities, companies, and business associations, to create a network that provides complementary intelligence services for micro to medium-sized entrepreneurs with low fees.

### 2. Create the first loss guarantee system supported by a U.S. entity for pension funds to invest in SMEs.

- a. The system should be operated by an entity (either public or private) with expertise in guaranteed schemes, collection, and credit granting that protects the investments where recipients would enter compulsory incubation and acceleration programs to avoid the risk of failure. This entity should be financed by the pension funds and supported by relevant international development actors such as the IDB or DFC.

Funding ought to be provided according to the level of sophistication of each applicant. Moreover, SMEs looking for funding need to consider the ESG component in their operations, since it gives more certainty for investors.

### 3. Provide soft financing and subsidy programs for Micro and Small Businesses.

- a. Both governments could provide soft financing and subsidies to improve production capacities, create and reinforce commercial and aesthetic capabilities, and promote compliance with applicable regulations.

Soft financing should be non-refundable but accompanied by technological tools (e.g., accounting, digital transactions, etc.) and regularity compliance (e.g., labeling,) to offer SMEs enough capacities to join international supply chains.

**4. Create a Binational Entrepreneurship Program (BEP).**

- a. **The BEP should create a network** of entrepreneurs in both countries, **mentoring and support programs**, with an emphasis on minorities and underserved populations. This program could also **finance accreditation** of states as small development centers, **implement acceleration and incubation programs** while increasing business relationships between the U.S. and Mexican companies.

The first step for this program could be the creation of a binational taskforce of stakeholders from universities, Small Business Development Centers (SBDCs), and business associations that would define targets, services portfolios, and goals.



# Digital Economy

## Context

The C26+ Digital Economy working group proposes that discussions regarding the **digital transition** in North America should focus on three main areas: digital trade, cyber-security, and data flows. Combining these main pillars should yield on a holistic regional digitalization strategy.

Mexico and United States lack a far-reaching regional strategy and the digitalization efforts made by local governments and companies are not aligned. An initial cross-cutting issue is shortage of workers in the digital sector in both countries. Companies need talent and talent needs visibility. On digital trade, bank fees and deficient interoperability services deter the flow of money between Mexico and the U.S. More specifically, in Mexico, Fintech companies face obstacles with banks and payment aggregators (high fees, friction between networks) and regulatory obstacles (open banking and crypto currencies). Not just that, but SMEs need support programs for digitalization.

Currently, on cyber-security, there is not a common agenda to address this soaring global threat. Related to data flows, cloud services can be offered throughout the region without the requirement of having data centers within the country. This context presents a variety of opportunities and a clear momentum in the sector for aligning to **develop a comprehensive North American Digitalization Strategy**.

## Recommendations

1. Publicly adopt and promote a **North American Digitalization Strategy**.
  - a. **Assemble a trilateral group with officials and stakeholders** to define the pillars of the North American Digitalization Strategy (initially digital trade, cyber-security, and data flows). This group would also map initiatives and stakeholders to leverage existing initiatives.
  - b. **Digital Trade**
    - i. **Create** a mechanism for binational transactions by **connecting the financial markets** and offer interoperability of services throughout the region. Lawmakers should foster digitalization by addressing these issues and building bridges between existing initiatives.
    - ii. **Design a program of tax credits, grants, or investments for SMEs** funded by public and private entities (e.g., USAID, venture and seed capital funds, stock exchange, among others), for them to increase the use of digital payments and to join the formal economy.
    - iii. Private-led **creation of financial products** for the Mexican diaspora in the U.S. which does not have access to financial services due to their migrant status.
  - c. **Cyber-security**
    - i. Include a binational working group under the **Bicentennial Framework for Security, Public Health, and Safe Communities**.

This recommendation goes in hand with **Recommendation 5, Smart Borders**.

d. **Data Flow**

- i. **Mexico must update its regulations** to comply with the USMCA provision on the matter.
- ii. Mexico needs to **increase its internet infrastructure** outside the main cities, mainly in the southern states, to support the activities of all types of industries. Moreover, digital transformation can also be achieved with investment on digital capacities (e.g., servers for hyper-scale cloud).<sup>1</sup>

e. **Cross-cutting Issues**

- i. **Support** the mapping of binational talent and promote inclusive training.
  1. Companies could create a Fellowship Model with government support to train students in junior roles.
  2. Facilitate human capital development via re-skilling and up-skilling education models.
  3. Governments, international organizations (e.g., IDB) and companies should collectively map -and make public- labor market supply and demand.
- ii. Promote the regional labor integration with policies aimed to facilitate remote working and digital nomads.
- iii. Improve local authorities' transition to e-government technologies. Companies can help with hardware and software to improve efficiency and ensure interoperability at the three levels of government and internationally.

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<sup>1</sup> For deeper analysis on Cloud Services recommendations in Mexico, please visit the most recent policy brief by the US-Mexico Foundation: "[Mexico Powered by the Cloud: Inclusivity, Innovation and Growth](#)"

This paper contains the insights and recommendations of the C26+ Group, a community of Mexican and American stakeholders with expertise and knowledge in Smart Borders, Innovation & Entrepreneurship, and Digital Economy, eager to support U.S.-Mexico collaboration.

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