Opportunities for the U.S.-Mexico Economic Partnership under the Biden and AMLO Administrations

By Daniel Runde, Linnea Sandin, and Isaac Parham

Introduction

The next four years present a once-in-a-generation opportunity for the new Biden administration to engage with Mexico and with President Andrés Manuel López Obrador (AMLO) to reinforce the trade relationship between the two countries. The recent entering into force of the United States-Mexico-Canada Agreement (USMCA), global disruption due to the Covid-19 pandemic, and administration changes on both sides of the border present a unique combination of circumstances that should be seized upon throughout the next four years.

AMLO came into office in 2018 under the auspices of a populist campaign, promising to address endemic poverty and expand development in the country. With a 62 percent approval rating, AMLO has more popular support than any other major leader in the Americas, including Joe Biden, Jair Bolsonaro, and Justin Trudeau. He has the massive popular support necessary to enact sweeping reforms, with plans to reclaim Mexico’s oil industry under state-owned enterprises and to train a modern workforce through educational programs.

Mexico is a very different country than it was before the implementation of the North American Free Trade Agreement (NAFTA) in 1994, with its GDP rising from $261 billion in 1990 to $1.27 trillion in 2020, making it the second largest economy in Latin America after Brazil. This phenomenal growth can be largely attributed to a strong relationship with the United States since the implementation of NAFTA. In 1990, bilateral trade between the United States and Mexico stood at just $38.3 billion, and Mexico was the United States’ third-largest trading partner. By 2019, the trade volume reached $614.5 billion, and Mexico became the United States’ largest trading partner for the first time that year.

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Trade, development, and investment are entwined with the issues of regional security and migration that will continue to be priorities for the Biden administration. AMLO recently appointed a new economic minister and a new deputy governor of the Central Bank, roles which traditionally advise the president on economic policy. The new appointees are anticipated to engage in more open dialogue with the private sector compared to their predecessors, and they could be key to the full implementation of the USMCA over the next four years if they can more effectively persuade AMLO. In the context of a global pandemic, a novel and open-minded cabinet, and a growing bilateral trade volume, there is no better time for the Biden administration to advance a revamped trade and investment agenda in Latin America. This historic, tumultuous moment represents a unique window of opportunity for the United States and Mexico to work together through the USMCA to not only promote their own economic recovery, but to prepare for the future in a way that will make the entire North American market competitive for years to come.

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