C26+ Digital Economy working group
Proposals for the U.S.-Mexico High-Level Economic Dialogue (HLED)
& the North American Leaders' Summit (NALS)

During 2022, the **C26+ Group** will strengthen its institutional reach and impact by aligning its efforts and recommendations to HLED's Work Plan and the NALS' goals for improving competitiveness in North America.

The **C26+ Digital Economy working group** held its second meeting in March 2022 to identify a set of issues that curb competitiveness in the region and to offer proposals for consideration of the U.S. and Mexican authorities. The discussions regarding the **digital transition** in North America should focus on four main areas: **1) digital trade**; **2) cyber-security**; **3) regional digitalization strategy** and **4) data flow**.

1. **Digital Trade**

   - The high costs of bank fees that deter the flow of money between Mexico and the U.S. can be solved by creating **a mechanism for binational transactions** which would greatly incentivize business and the growth of the two economies.

   - Despite the inherent differences between the markets and the local regulations, it is needed to **connect the financial market** and offer interoperability of services through the region.

   - Small and Medium-Sized enterprises (SMEs) need support programs for digitalization. One example is to create incentives for them to join the use of digital payments and/or the formal market. Mexico and the U.S. should explore the idea of **designing 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).

   - Fintech, banks, brokerage firms and non-bank entities should **create products** for the Mexican diaspora and Latin communities in the U.S., which does not have access to financial services due to their migrant status.

2. **Cyber-security**

   - Currently, there is not a common agenda to address this soaring global threat. Both governments should encourage the **creation of a binational working group** on the topic supported in the works of the recently signed Mexico-U.S. Bicentennial Framework.

3. **Regional Digitalization Strategy**

- Mexico lacks a far-reaching national strategy and the digitalization efforts made by local governments & companies are not aligned. Mexico and the U.S. can **develop a comprehensive Regional Digitalization Strategy** which addresses a greater number of sectors, from economy, to health, to education, etc.

- There is a shortage of workers in the digital sector in both countries. Mexico could **create a national pool of talent** and promote training. Moreover, this pool can be strengthened with the arrival of **foreign workforce** with policies aimed to attract **remote workers** and **digital nomads**. In addition, technology and technical cooperation can create a strong bridge between both countries.

- Local authorities need to **improve their transition to e-government** technologies. Companies can help with hardware & software to improve efficiency and ensure interoperability at the three levels as well as international.

4. **Data Flow**

- Cloud services can be offered throughout the region without the requirement of having data centers within the country. **Mexico should update its regulations** to comply with the USMCA provision on the matter.

- 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).

This paper contains the insights and recommendations of the C26+ Digital Economy Working Group, a community of Mexican and American stakeholders with expertise and knowledge on the sector, eager to support and help further U.S.-Mexico collaboration.

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