

Press Release No. 71
Washington D.C., October 17, 2018

Statement by the Finance Ministers of the United States and Mexico

We met today to discuss areas of further cooperation on financial and economic issues.

The close coordination between our ministries, Treasury and Hacienda, is reflective of the mutual benefits derived from continued economic growth and financial stability in our two economies.

Exchange Stabilization Agreement

Today, we signed a Memorandum of Understanding memorializing our decision to update our Exchange Stabilization Agreement (ESA) – which is a framework for a financial support facility between our governments.

We continue to value the very close economic and financial cooperation that exists between our countries to help promote macroeconomic growth and stability, including on exchange rates.

The United States and Mexico have had a standing framework for financial support since 1941. The ESA was last updated 24 years ago, in the context of the North American Free Trade Agreement (NAFTA). Today, we have decided to amend the ESA to increase the potential size of the Treasury's swap line with Mexico, from the existing \$3 billion to \$9 billion, reflecting the tremendous growth in trade and financial flows that have occurred between our economies over the last 24 years. This facility will continue to be complemented by a swap line of \$3 billion with the Federal Reserve.

Macroeconomic and Financial Sector Engagement

We look forward to our governments signing the U.S.-Mexico-Canada Agreement (USMCA) and its subsequent approval by both our legislatures. The Financial Services Chapter includes commitments to liberalize financial services markets and facilitate a level playing field for U.S., Mexican, and Canadian financial services providers, including a first-ever prohibition on local data storage and processing requirements and expanded cross-border commitments. The chapter also includes an Investor-State Dispute Settlement mechanism between the United States and Mexico, specific to the financial services sector.

The currency chapter reflects the conviction that market-determined exchange rates are fundamental for smooth macroeconomic adjustment, and that the parties to the USMCA share the objective of pursuing policies that strengthen underlying economic fundamentals, foster growth and transparency which reinforce the conditions for macroeconomic and exchange rate stability, and avoid unsustainable external imbalances. The parties commit to refrain from competitive devaluations and to foster the transparency of economic data for exchange rate markets. When the USMCA enters into force, we will initiate a special consultation mechanism to review currency and related economic policies.

North American Development Bank

The United States and Mexico are strongly committed to supporting growth and development on our shared border. We are confident that, in carrying out its mission, the North American Development Bank (NADB) can do more to advance the economic well-being of the people of the United States and Mexico.

Our governments are committed to strengthening the Bank's ability to improve infrastructure and create economic opportunities for the benefit of the border communities, improving the quality of life along both sides of our shared border. We will continue to analyze the best strategic and financial mechanisms to improve NADB's ability to fulfill these ambitions.

Other Areas of Cooperation

We are proactively exploring how Treasury's Office of Technical Assistance can support Mexico to build upon Hacienda's already impressive technical capacities to strengthen Mexico's priorities for economic and financial sector policy reforms.

Treasury and Hacienda look forward to enhanced regulatory cooperation on financial sector developments; and to continuing joint efforts to combat money laundering and corruption, and to disrupting the illicit financial activity of drug trafficking organizations.

Also, Treasury and Hacienda have had a strong dialogue on helping to meet our mutual objectives for prosperity in the Northern Triangle of Central America – in particular, we maintain active coordination between our ministries and multilateral institutions to support pro-growth economic reforms to increase median incomes and generate employment in this region.