

The critical task of the Three Amigos

written by Stephen Lautens | January 11, 2023

The “Three Amigos” summit underway this week has a lot on the table for the leaders of the US, Canada, and Mexico to discuss. There are pressing issues on the agenda for US President Biden, Canadian Prime Minister Trudeau and Mexican President Obrador, such as migration and immigration, North American economic integration, climate change and cooperation in clean energy technologies, and Mexico’s efforts to shut others out of investment in its energy sector.

Even before they met, all three countries announced their ongoing commitment to work together on key sectors, including critical minerals and supply chains. According to [reports](#), “while no financial commitments have been announced yet, those agreements include a cabinet-level summit on semiconductors, mapping mineral resources across the North American continent and promoting educational investment.”

Canada and the US [have already announced](#) their own commitments to developing and securing a domestic critical minerals supply chain. President Biden issued a directive in March 2022 invoking the Defense Production Act to incentivize the mining and domestic production of the critical minerals needed to manufacture batteries for electric vehicles and long-term energy storage. The US DoE awarded US\$2.8 billion of grants in October, 2022, to accelerate US manufacturing of batteries for electric vehicles and the electric grid. In the 2022 Federal Canadian Budget, the government allocated an additional C\$3.8 billion for critical minerals, including those that feed into clean technologies.

Besides Mexico and Canada, the US lists about a dozen countries as strategic partners for “supply chain resilience”. Mexico and Canada are the only ones that share a border with the US, with Canada being the US’s largest [trade partner](#) with US\$664.8 billion in trade in 2021, and Mexico close behind as the US’s second largest trade partner with US\$661.2 billion in trade. In 2021 China came third with US\$657.4 billion in trade with the US.

The Biden vision at the Three Amigos summit is for a more integrated North America supply chain, with the US naturally seeing themselves in the driver’s seat. Canada and Mexico have slightly different views, but do agree on greater, mutually beneficial co-operation as long as the Biden administration’s continuation of the “Buy American” policy doesn’t leave them out in the cold.

Canada has been rapidly developing its own critical minerals and rare earths resources, which leaves the question of what Mexico brings to this particular table.

When people think about Mexico most think about copper and silver, with precious metals [accounting for about half](#) of Mexico’s production. Mexico’s metals sector, which in 2020 generated more than US\$18 billion in exports and contributed around 8% of its gross domestic product.

As far back as 2014 Mexico’s largest mining company, Grupo Mexico, [announced its intention](#) to diversify into rare earth metals business, however there has been little progress to date. At present, of the four critical minerals that the US lists for the high-capacity battery sector (nickel, cobalt, lithium, and manganese) Mexico only produces manganese, and that in relatively small quantities.

The Mexican states of Sonora, Chihuahua, Oaxaca and Chiapas are

recognized to have large, undeveloped deposits of rare earths. The [U.S. Geological Survey \(USGS\)](#) has also identified 1.7 million tons of lithium deposits in Mexico, making it potentially the 10th largest source in the world. However, the Mexican lithium deposits are largely held in clay substrates that are not accessible with current technology, and for the time being will remain in the ground.

That leaves Mexico's development of its lithium resources lagging well behind other Latin American countries like Argentina or Chile. To further stymie development, in April 2022, [Mexico passed legislation](#) to ban private and non-Mexican lithium mining and processing activities and restrict all future projects to state-run companies. Mexico's current president has pledged to honor existing lithium concessions, but has clearly declared not just a "Mexico First", but a "Mexico Only" policy in the sector. Unfortunately, the government's strategy so far has consisted only of the creation of a state-owned company, which has left development in a standstill.

As a rare earths, and particularly lithium, producer, it will be a long time before Mexico is able to contribute to the North American critical minerals supply chain. Not only is it starting from a standing stop, its mineralogical separation challenges are substantial and the current Obrador government is determined to not allow foreign companies and therefore foreign capital to develop any lithium assets in the country.

On top of these mineral development issues, Mexico has other challenges, including widespread organized criminal activity, corruption, civil unrest, and contract risks arising out of the current nationalist climate of Mexican president Andres Manuel Lopez Obrador.

In the near future, it appears that Mexico will continue to

assemble electric cars, but not provide the materials for many of the key components required for a greener future. And it is unlikely that any amount of photo ops by the Three Amigos will fix this anytime soon.