Buy NORTH American

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Washington focuses on the urgent and has little time for the important. As a result, it faces chronic problems and cannot plan for the future. There is no better illustration of this than the idea that was missing from President Barack Obama's address on jobs: North America. Had he grasped it, he would have amplified some of his proposals in a way that would have helped achieve his job goals and two others - doubling exports and limiting undocumented migration.

Most Americans view our neighbors, north and south, as very dependent on the United States. That is true, and it explains why we don't take them seriously, except as problems. What few Americans realize is how dependent we are. The top two markets for U.S. exports are not China and Germany; they are Canada and Mexico. Our top two sources of energy imports are not Saudi Arabia and Venezuela but Canada and Mexico.

The light bulb on our interdependence should have switched on when the electricity in the southwest and Mexico switched off last week, purportedly because of a single operator in Yuma, Ariz. Our economies are inter-connected. That means when one country has a crisis, all are hurt, but a success in one helps the others. More important, if we find new ways to relate to each other, we can lift all three countries and make the region competitive with China.

For seven years after the passage of the North American Free Trade Agreement, or NAFTA, the U.S. tripled trade and experienced the largest expansion of jobs in our history. But since 2001, North America has languished because of new 9/11 barriers, Chinese competition, the lack of infrastructure investment and no continental strategy.

The potential is clear. As our two neighbors' economies grew faster than ours coming out of the recession, U.S. exports to Canada and Mexico in 2010 increased by nearly $80 billion from $334 billion to $412 billion. The total was more than four times our exports to China, and eight times our combined exports to Korea, Colombia and Panama. The president has rightly recommended approval of the trade agreements with those three countries, but that is a side issue.

We can expand our trade fastest by focusing on our neighbors, and it benefits us more. This is because, unlike U.S. trade with the rest of the world, the three North American countries make products together, meaning that a much higher percentage of our imports are composed of exports from our two neighbors. We should eliminate restrictive "rules of origin," which add a tax as high as the tariff that was eliminated, and combine - rather than duplicate - customs' forms, personnel, and frequent traveller programs.

NAFTA relied on the magic of the marketplace to reduce the income gap, the major cause of migration from Mexico, but that failed. Foreign investment concentrated on the border where it served as a magnet attracting migrants from the south eventually to the U.S. If Mexico were to sustain growth at twice the level of the United States for a decade, the income gap between the
two countries would shrink by 22%, and its success would benefit both it and the U.S. That's not enough to stop illegal migration, but recent data on reduced migration suggests Mexico's growth would alter the calculus of migrants.

Nearly 80% of North American trade goes by truck, and while trade quadrupled, no new roads have been built. President Obama ought to expand his infrastructure fund to be a North American one, with contributions from all three countries. The leaders of each nation should then instruct their transportation ministers to develop a North American plan for transportation and infrastructure that would include another trade corridor from the busiest transit point in Windsor, Ontario to southern Mexico. Such a highway would bring down costs, expand trade, encourage foreign investment in all of Mexico and reduce illegal migration.

In 2009, the three leaders of North America pledged to meet the next year, but that still hasn’t happened. President Obama should invite his counterparts to address the full North American agenda, beginning with a strategy to lift the continent's economy and then addressing transportation, immigration, education and borders.

The goal should be to forge a North American community. No state and city have a greater stake than California and Los Angeles, and no one is better suited to lead such an endeavor than the world's most well-known community organizer.


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