TRADE ★ *BOLSTERING AMERICA'S ECONOMY*

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WHAT'S NEXT

POLICY RECOMMENDATIONS FROM THE BUSH INSTITUTE

George W. Bush Institute

STRENGTHENING NORTH AMERICA STRENGTHENS THE UNITED STATES

by Matthew Rooney and Kristin Kent Spanos

Our recommendations:

- THE U.S. GOVERNMENT SHOULD INCLUDE THE PRIVATE SECTOR AND CIVIL SOCIETY IN THE NORTH AMERICAN COMPETITIVENESS COMMITTEE
- CONGRESS SHOULD REFORM THE CROSS-BORDER INFRASTRUCTURE PERMIT PROCESS VIA LEGISLATION
- THE U.S. GOVERNMENT SHOULD WORK WITH CANADA AND MEXICO TO ENABLE MARKET-DRIVEN DEVELOPMENT AND FINANCING OF CROSS-BORDER INFRASTRUCTURE
- THE U.S., CANADIAN, AND MEXICAN GOVERNMENTS SHOULD ENCOURAGE ONGOING PRIVATE SECTOR EFFORTS TO IMPLEMENT A REGIONAL APPROACH TO WORKFORCE DEVELOPMENT

The United States enters 2019 with a strong economy and a new trade agreement with our North American neighbors that would replace the North America Free Trade Agreement (NAFTA). Free trade has been a boon for the U.S. economy. Since 1990, U.S. annual trade with our NAFTA neighbors increased $800 billion (after adjusting for inflation) and trade with the rest of the world rose by an even greater $2.3 trillion. NAFTA has strengthened — and not reduced — our ability to compete in global markets.

Estimates indicate that nearly 200,000 export-related jobs are created annually by NAFTA, and these jobs pay 15 to 20 percent more on average than jobs lost because of free trade. Since 1990, the U.S. private sector has added over 31 million new jobs, and some 14 million U.S. jobs now depend on trade with Canada and Mexico. Thanks to the emergence of efficient cross-border supply chains, since 1990 the volume of U.S. industrial production has expanded 44 percent, and hourly earnings in U.S. manufacturing increased 55 percent. Furthermore, the position of the U.S. as the world's top destination for foreign direct investment (FDI) has only strengthened, with the country's inward stock of FDI growing sevenfold since 1990 (reaching $6.4 trillion in 2016).

Building off NAFTA's success, the United States-Mexico-Canada (USMCA) agreement offers several upgrades, including improvements ensuring market access for U.S. products equal to or, in some cases, greater than what the U.S. lost after withdrawing from the Trans-Pacific Partnership (TPP). USMCA also modernizes trade for the digital age with dedicated chapters for digital trade and intellectual property.

Chapter 28 of USMCA outlines policy recommendations advocated by the George W. Bush Institute, including strengthening cooperation and information-sharing among the regulatory agencies of the North American nations. However, other changes limit consumer choice and entrepreneurial autonomy; these limits may result in higher costs for American consumers and could lessen the global competitiveness of American manufacturing.

Recent attitude shifts toward globalism threaten the great advantages American consumers and businesses experience as a result of low barriers to trade. Analysis performed by the Bush Institute-SMU Economic Growth Initiative suggests the challenges presented by globalization cannot be blamed on inadequate trade policy, but rather on domestic policies that have failed to prioritize key issues, including workforce training and infrastructure.

The Administration must work with our North American neighbors to ensure the competitiveness of the region moving forward. The Bush Institute recommends several policies that further integrate the economic relationships between the United States and its North American neighbors. Through market-driven infrastructure expansion, consistent workforce development standards, and deliberate efforts to prioritize programs that enhance regional competitiveness, North America will become an even better place to live and work.

THE U.S. GOVERNMENT SHOULD INCLUDE THE PRIVATE SECTOR AND CIVIL SOCIETY IN THE NORTH AMERICAN COMPETITIVENESS COMMITTEE

Chapter 26 of USMCA calls on North American nations to develop cooperative activities to strengthen regional competitiveness. The creation of the North American Competitiveness Committee is a positive step.

The committee should solicit private sector and other civil society stakeholders to develop activities that respond to market development and enhance regional competitiveness. We also recommend the committee address critical issues raised below — including cross-border infrastructure and regulatory consistency.

CONGRESS SHOULD REFORM THE CROSS-BORDER INFRASTRUCTURE PERMIT PROCESS VIA LEGISLATION

Proposed border crossing projects — roads, railroads, pipelines, and electric transmission lines — are subjected to numerous reviews at local, state, and federal levels on both sides of the border. These include safety and security assessments, traffic, and navigation studies, and environmental impact analyses. In addition, a Presidential Permit is required to demonstrate the project would serve national interest. From start to finish, the permit could take years to be approved.

There is no denying infrastructure keeps American goods competitive on the global marketplace. These restrictions and guidelines, however, hinder the movement of goods and services across the country and region and make items costlier.

The existing system needs to be reformed. Ideally, the Presidential Permit, which adds little to the array of other technical analyses, should be eliminated. At a minimum, Congress should pass legislation establishing that the president should presume that a proposed border crossing that meets all other local, state, and federal criteria is in the nation's best interest. Such a reform should define criteria under which the president may determine otherwise, within a set time frame.

THE U.S. GOVERNMENT SHOULD WORK WITH CANADA AND MEXICO TO ENABLE MARKET-DRIVEN DEVELOPMENT AND FINANCING OF CROSS-BORDER INFRASTRUCTURE

Encouraging private capital to invest in infrastructure along our shared borders will allow the market to prioritize infrastructure development projects most necessary to strengthen competitiveness. A major barrier to private sector investment is the lack of objective, impartial traffic projections, as well as the risk of projects that straddle the national jurisdictions.

The Administration should work with our North American neighbors to establish a North American Border Infrastructure Bank. North America is the only global trading bloc without a dedicated, independent infrastructure bank to provide impartial intelligence on infrastructure investments as they relate to supply chains and production. The bank should be capitalized by public and private funds and provide innovative instruments to help minimize the risk involved in undertaking cross-border infrastructure projects. By empowering the bank to coordinate transnational projects, the Administration will in turn reduce the burdens on national and local government entities.

When private-sector companies invest in projects that lower their costs and increase efficiency, we will see cost reductions for U.S. products and an increase in global competitiveness.

THE U.S., CANADIAN, AND MEXICAN GOVERNMENTS SHOULD ENCOURAGE ONGOING PRIVATE SECTOR EFFORTS TO IMPLEMENT A REGIONAL APPROACH TO WORKFORCE DEVELOPMENT

Aligning North American workers with common standards will decrease the cost of recruiting and training. It will boost productivity and strengthen the supply chains of companies operating in North America.

The Bush Institute has seen success with this tactic. By working with private and public sector partners in the U.S., Canada, and Mexico, a basic curriculum for entry-level workers in manufacturing and logistics was developed and approved for use in all three countries. This is a private-sector-driven initiative that has cost no public resources except for the time and attention of a small number of government officials in Mexico. We and our partners remain committed to this initiative and are currently analyzing the appropriate next layer of certification for deployment across North America.

The Administration should look for ways to promote the development of standardized workforce training and certification programs across North America.

A comprehensive focus on North American competitiveness through these four initiatives will enhance the competitive position of the region. In turn, this will secure U.S. jobs, lower costs for U.S. companies across the supply chain, and make American goods more competitive on the global market. A long-term focus on essential infrastructure and workforce development investments in cooperation with Canada and Mexico will secure American's prosperity and security in the future.

Matthew Rooney serves as the Managing Director of the George W. Bush Institute-SMU Economic Growth Initiative

Kristin Kent Spanos serves as an Associate of the George W. Bush Institute-SMU Economic Growth Initiative

George W. Bush
Institute

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2943 SMU BOULEVARD | DALLAS, TEXAS 75205

Cover: The flags of Canada, the United States, and Mexico, line the stage before the start of the negotiations for the modernization of NAFTA, August 16, 2016, in Washington, DC. (Paul J. Richards / AFP / Getty Images)