

North American Competitiveness

Business Advice to the '3 Amigos'

The political rhetoric around trade between the United States and Mexico (or Canada) is unfortunate for many reasons, but in particular because it misses the key point of modern manufacturing: we make things together to compete globally. The rhetoric is premised on the industrial business model of 30 years ago - 'make things here to sell everywhere', that in some cases changed 20 years ago to the model described as outsourcing – 'make things overseas cheaply to sell here.' Neither is the relevant model now; to win in today's global markets modern companies must draw on global or at least regional value chains.

North America offers some tremendous advantages as a region – including the abundance of low-cost energy, deep capital markets, and innovative small, medium and large companies. We are most competitive globally when we can draw on the best of each of the three countries. By drawing on the best talents and resources we can find in each of the three countries, whether within our own firm or via suppliers, we make products that can compete on quality and price against any other producer in the world.

The goal of North American Leaders should be to celebrate that combined strength, and to adopt policies that reinforce it. In the regional context, that means steps that simplify cross-border cooperation and transactions. A few examples:

- Make it faster, easier and cheaper for products to move back and forth across the borders, via:
 - Improved infrastructure (e.g. grid interconnectivity, pipelines, improved road and rail).
 - Simplified procedures (customs processing, etc.)
- Make it easier to use the same inputs, production lines and business processes in all 3 countries, e.g., via harmonization of product standards, regulations, etc.
- Make it easier for skilled technical personnel to take temporary assignments throughout the region, via visa policies and certification or recognition of skills.
- Ensure that products made 'regionally' benefit from trade agreements, by better coordinating in our FTA discussions with other countries, and by insisting on 'cumulation of rules of origin' in trade agreements that the three North American countries participate in with other countries.
- Cooperative and when appropriate joint export financing by the three Export Credit Agencies to support 'North American' exports to other regions.

The future of work in manufacturing is changing rapidly, driven mainly by technology. For North America to ensure that its population maximizes the benefits, the three countries need to recognize that elimination of artificial barriers between them is vital to keeping this region competitive.

- Advanced manufacturing techniques change the nature of economies of scale and provide greater flexibility in the choice of manufacturing location. This can be best leveraged by creating regional supply chains of specialized producers able to trade frictionlessly with each other.

- The faster pace of innovation in the Future of Work relies on leveraging the widest possible base of talent. Increased barriers to the free movement of talent would cause companies in the region to fall behind in an increasingly competitive global environment.
- The Future of Work is digital-driven, and the greatest efficiency gains can be reaped through the insights of big data—this in turn requires a cooperative effort towards openness and common standards, which would be much harder to achieve in a more fragmented and protectionist context.