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**STAYING ALIVE: NORTH AMERICAN COMPETITIVENESS AND THE
CHALLENGE OF ASIA**

by

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ABSTRACT

While analyses of “North American integration” after NAFTA continue to stress outdated notions of country-to-country trade and the exchange of finished products across national borders, our paper starts from the premise that what we have now is a single, integrated regional economic system whose expansion has followed the pace and contours of business strategies emphasizing continentally-integrated supply chains, but whose management via regulatory and policy coordination has lagged dangerously behind. Most dangerous of all has been the massive gap between our region’s infrastructure needs – ports, transportation, and borders – and what has been coordinated and facilitated by the public sector. In this paper we investigate this current impasse from the point of view of reframing the competition with Asia’s export giants – in particular China – as an impetus to enhance the competitive edge not of our *national* economies but rather of the *regional economic system* as a whole. We highlight the potential for synergy between the dynamism of *cross-border regions* such as the Pacific Northwest and their “gateway” strategies of coping with booming trade with Asia, on the one hand, and the aim of enhancing North American regional competitiveness via a more rationalized and effective continental transportation and infrastructure strategy. For example, British Columbia’s plans to expand the Prince Rupert port facility, or the West Coast Corridor Coalition’s plans for transportation links “from B.C. [British Columbia] to B.C. [Baja California]” would do well to explore their potential to connect with developing transportation networks and trade corridors in the center of the continent, as well as emerging export centers on the Eastern seaboard (Halifax/Atlantica), and on Mexico’s Pacific coast. In keeping with North America’s unique integration pattern – decentralized and business-driven – this focus on cross-border regions and public-private partnerships could bridge the infrastructure gap, linking local concerns with greater continental prosperity.

INTRODUCTION: THE NORTH AMERICAN ECONOMIC SYSTEM

The conventional map of NAFTA shows three separate countries that trade with each other. We are told this is the world's largest trade bloc, with the world's largest trading relationship. This map is misleading. To be sure, North America is still comprised of three national governments, but the North American economy is no longer best visualized as three national economies. Rather it has evolved and is continuing to evolve as a deeply integrated continental system of stocks and flows, structured by linkages among production clusters and distribution hubs across the continent – linkages that rest on cross-border alignments among business, communities and local and state-provincial governments.

Consequently, the three North American nations are not just trading partners, and what flows across their mutual borders are not mainly finished goods. Instead, their firms collaborate in complex, cross-border production, supply and distribution systems, some focused within specific cross-border regions, and many more connecting those regions across the continent, effectively forming a single tri-national production platform. For example, one quarter of the approximately \$1.25 billion in goods that cross our two internal borders daily is automotive, but rather than selling cars to one another, we in North America *build cars together*. Within the North American region we also share increasingly integrated energy markets; use the same roads and railroads to transport jointly made products to market; service the same customers with an array of financial services; fly on the same integrated airline networks; and increasingly meet the same or similar standards of professional practice. The cumulative result of cross border trade and investment is for most practical purposes an integrated economy such that local practice in one part of the region accounts for results in another part of the region. This is what economists call “deep” or structural integration.

To hear North American integration described as “deep” would surprise many skeptics in the academic community, particularly those whose conceptualizations of regional economic integration (REI) are based upon Europe as the model and the measure of the phenomenon. While it is true that the NAFTA agreement itself purposefully eschewed a top-down institutionalized approach and rejected policies such as a common currency, a regional parliament, and other identity-building exercises, we would argue that North America represents a different, alternative model of REI based upon three main pillars: entrepreneurialism, decentralization, and (associated with the former two) adaptation. NAFTA was itself not the starting point of regional integration on our continent: by the late 1980s, when Mexico's government accelerated trade liberalization and the US and Canada were negotiating their bilateral Free Trade Agreement, corporate strategies and investment decisions in all three countries were already shifting towards a regional, rather than simply national, perspective.¹ Particularly influential was the end of the “branch plant” model based upon protectionist barriers to investment in Canada and Mexico, a model which also saddled U.S. companies with excess capacity at a time of tougher international competition and falling profit margins. Canadian

¹ In the early 1990s, several key surveys of managers of US firms with long-established operations in Canada and Mexico indicated that the US-Canada FTA and NAFTA had simply intensified trends already underway towards continental-wide corporate strategies and organizations. See Stephen Krajewski, “Multinational Firms Across the Canada-U.S. Border: An Investigation of Intrafirm Trade and Other Activities,” (Ottawa: Conference Board of Canada, 1992); Jerry Haar and Stephen Blank, *Making NAFTA Work: U.S. Firms and the New North American Business Environment* (Boulder, CO: Lynne Rienner Publishers, 1998).

firms, always concerned about market access and access to larger pools of capital, found greater incentives to look south, while the end of “corporate welfare” with the dismantling of institutionalized protectionism in Mexico also chastened its previously risk-averse private sector and gave impetus to export orientation and the search for joint ventures.² Even before NAFTA, and to an increasing extent after, intra-firm trade exploded, and just-in-time cross-border production, supply and distribution strategies further enhanced the efficiency and efficacy of North American business.

The cumulative result of all this cross-border trade and investment has been, for most practical purposes, the development of an integrated regional economy based upon a degree of collaboration and complementarity between countries that is unprecedented. But most notably, it is integration that has been driven “bottom-up” by businesses looking for new ways to expand and survive, and its evolution has been uneven and to some extent invisible on the *national* radar screens because it has accelerated in particular *cross-border regions*, moved along with help by adaptive and, in their own way, entrepreneurial *subnational* governments (i.e., local and state/provincial jurisdictions) enjoying relative autonomy within all three federalist systems. Freed – or, from a somewhat different political perspective, unleashed – from top-down government projects and planning, North American integration has deepened in an uneven, market-driven, *de facto* manner while sidestepping the paralyzing political battles over sovereignty that an attempt to adopt a European system would certainly have set off.

While advocates of North American integration may have celebrated such an “under the radar” approach in the past, the challenge of expanding trade and competition with Asia raises the question regarding whether “North America, Inc.” can continue down this market-based, decentralized adaptive path into the future. While business was pretty much able to retool itself in the 1980s, today’s new challenges reveal what the limits to bottom-up growth, specifically having to do with issues such as transportation, border infrastructure, and regulation. It is both the scale of China’s export push (helped along with the expiration of the multifibre agreement) and the technological leaps made in transoceanic shipping that have raised concerns regarding the sorry state of North America’s ports, railways, and roads. But such concerns naturally invoke the need of public authorities to take key investment decisions (whether public or public-private or privatized) regarding these key nodes of municipal, state/provincial, and national infrastructure that now must serve trinational or regional economic interests. Specifically, if North America is to “stay alive” and remain competitive in today’s global markets – by which we mean not a “Fortress North America” exclusionary strategy, but rather a strategy that seeks to attract both investment and trade from dynamic Asian economies by maximizing the competitive advantage of North America as a site of production, consumer markets, and innovation – the moment of truth has arrived regarding the unsexy but essential issue of the health and maintenance of the “plumbing” of the North American economic system.

This paper presents an overview of this issue, first arguing that the architecture of North American supply chains – based upon corporate adaptations featuring their innovative use of transportation and logistics networks – has shifted from being the leading edge of the region’s competitiveness in the past two decades to being the leading edge of its vulnerability in a number

² For more on business adaptation in Mexico, see Strom C. Thacker, *Big Business, the State, and Free Trade: Constructing Coalitions in Mexico* (Cambridge: Cambridge University Press, 2000).

of ways. Specifically, we argue that the regional economic system has reached the limits to “bottom-up” growth, and now requires a more integrated North American transportation strategy in order to adapt to an increasingly competitive global market environment. The next section of the paper then focuses on North America’s growing trade with Asia, and discusses why and how Asia has become the focal point for broader discussions of North American competitiveness. The following section looks at how the cross-border region within NAFTA most obviously affected by these new trading patterns – namely, the Pacific Northwest – has adapted to these forces, and why this matters greatly for the entire North American economic system. Finally, the concluding section identifies a coming crisis point in North American transportation infrastructure, and argues for regions like the Pacific Northwest, which stands at the leading edge of our continent’s move towards a new level of competitiveness, to rethink their particular interests as North American interests, and for stakeholder groups and their leaders to use those kinds of arguments with greater energy and precision, both to persuade their own constituents and to seek allies farther afield, continentally speaking. With those coalitions in place, the kind of North American thinking and policymaking that will be required to confront, and overcome, the transportation crisis may have a fighting chance.

NAFTA SUPPLY CHAINS: SOURCE OF COMPETITIVE ADVANTAGE

For many North American firms, a significant competitive advantage rests upon their capacity to build networks and supply chains that link regional specializations across national borders. For example, the North American auto supply chain stretches from parts manufactures in Mexico, through plants in the US to assembly operations in Canada. Components, parts and ultimately finished autos move along this extended production system. This is the case with virtually all of our leading companies, ranging from automotive products to aircraft components, to computers, to chemicals, to food products, housing products, pharmaceuticals, industrial goods such as subcomponents of manufacturing systems, as well as commodities and raw materials of every description.

See Appendix, Table 1

The ability to operate these networks efficiently depends on transportation and logistics capacities. In a world of just-in-time production systems, transportation infrastructure and supply chain management become absolutely critical elements of business success – and even survival. Advantages of location and service costs are multiplied by sophisticated control and optimization techniques aided by extensive use of GSP (Geo-Service Providing) and RFID (Radio Frequency Identification) technologies designed to monitor shipments at great distances.

Clearly, then, the transportation, logistics, and border capacities have become the nerves and sinews of the North American economy. Like most of NAFTA, it is an emergent reality arising from millions of decisions starting with consumer demand and moving backward along the supply chain to bring about a substantial re-orientation of transportation networks in North America, from predominantly East-West (or West-East) to now North-South as well as East-West. However, today’s resulting geography of ports and flows reflect a new balance: that between the land-based, North-South NAFTA trade flows and the newer shipping-based East-West flows of the new, inter-regional face of globalization: the boom of trade with Asia. This

new balance between NAFTA trade and global markets is concentrated along the US borders and coastal regions plus some large cities.

See Appendix, Map

On the one hand, this, too, represents significant adaptation. This adaptation has been so good, in fact, that the volume of shipments is now hitting the limits of the system, specifically the limits of port technology and capacity, of rail capacity, and of infrastructure aging. Unlike the first round of NAFTA adaptation, however, more than simply private sector strategic adaptation is now required. What is needed, it appears, is a more effective continental transportation infrastructure that is adequate to the challenge of melding the NAFTA and global flows. The question hanging over governments, entrepreneurs, and other ‘stakeholders’ in NAFTA-dependent and trade-dependent communities in our region, therefore, is whether the North American economic system can evolve to accommodate that challenge. By themselves, and by design, the three NAFTA national governments lack the formal mechanisms of cooperation, coordination, and, most importantly, implementation in order to launch the kinds of region-wide infrastructure projects that the European Union has successfully used to facilitate the movement of goods into, out of, and within its single market. Therefore, we should not have been surprised that the increase in volumes of goods flowing across North America’s internal borders outran the capacity of our roads, bridges, railroads and border crossings even before 9/11. Today, North America’s transportation and border infrastructure barely suffice to support our economy; and given the obstacles to regional policy coordination, there is little margin left for future expansion.

To be sure, one can argue that what is lacking is not simply institutionalized channels for cooperation, but also political will. In practice, however, while governmental prioritizing can lead to the creation of new institutionalized channels, their effective coordination and operation is not a foregone conclusion. Here, the management of North America’s internal borders since 9-11 provides an instructive example. No one can dispute that, following the terrorist attacks in 2001 – though, perhaps, for different domestic, bilateral and global reasons – border security has become a top priority for all three governments. Indeed, substantial efforts have been made to improve the physical infrastructure at border crossings in the past five years. The US-Canada “Smart Border” agreement and the parallel agreement with Mexico represent key commitments to improve border management. Various organizations and border communities have initiated dialogues with government agencies that have achieved significant incremental improvement in border processes. Programs such as FAST and NEXUS also were developed and expanded to demonstrate that governments were doing their best to ensure security against terrorist threats without unduly interfering with cross-border commerce. However, in practice there has been much that remains to be done, and the process as well as the disappointing outcome point to the disjuncture between the rhetoric of governmental prioritization and the reality of institutional confusion. The pyramiding of requirements and programs, each of which can inhibit quick border processing, and all of which together require high degrees of inter-agency coordination (and typically involve federal, state and even local governments) as well as new levels of cooperation with business and border communities, has created tumult in some instances and

threatens what Stephen Flynn calls “a potential train wreck”³ Thus, even at the geographic place where North American regional interests would have the greatest salience, and in a high-priority issue area for all three governments – and, arguably, publics – the ability to forge a North American solution to a North American problem remains elusive.

Considerably less attention has been paid to developing a sense of a North American transportation and logistics structure; instead, rhetoric has run high, while vested interests have controlled the policy process to the detriment of greater national and North American interests. People have talked about “NAFTA Superhighways” for a decade, and it has been clear since the mid-1980s that increased volumes of goods flowing north and south demand new approaches to transportation infrastructure. Washington has spent vast sums in a series of highway funding bills since 1991 to identify and improve “high priority corridors” that would facilitate north-south trade. However, these funds became a pot into which every member of Congress dipped his/her fingers. The number of designated high priority corridors soared as members earmarked funds for their own favored projects.

See Appendix, Table 2

The result is that the map of so-called “high priority corridors” looks like a plate of spaghetti. Highways and border crossings have been improved here and there, but there is no movement toward developing a true North American highway system. Certainly nothing like the super multimodal corridors, wired with fiber-optics and the latest digital frills, has come about. If anything, the general state of US highways has deteriorated over the past decade. In its latest “Report Card,” the American Society of Civil Engineers awards the American government a D- for maintaining existing roads and bridges. The US is \$40 billion behind just in maintaining existing roads.⁴ Add to this the challenge of bringing Mexico’s roads into the 21st century; the joint project of fixing crumbling bridges and overburdened access points across both internal borders; the need to construct “inland ports” to connect incoming containers to both rail and road routes towards the North American interior and beyond; and the continued distortions of local “pork-driven” incentives, and the outlook for trilateral regional coordination on this critical issue starts to look decidedly bleak.

NORTH AMERICAN TRADE WITH ASIA

At this point, it is important to recall that the outlook for the future of the pre-NAFTA North American economies in the early 1980s was also decidedly bleak – given stagflation in the US, the debt crisis in Mexico, and the collapse of oil prices affecting both Canada and Mexico (and their respective experiments with protectionist economic policies). But it was at this time, facing this bleak picture, that businesses in the US, Mexico and Canada responded by retooling and revamping their corporate strategies, and began to make use of innovations in technology and supply-chain management techniques to bring us the North American economic system we have today. In the past few years, echoing the shock of the early ’80s, fears of the onslaught of

³ See Stephen Flynn, “The False Conundrum: Continental Integration Versus Homeland Security,” in Peter Andreas and Thomas J. Biersteker, eds, *The Rebordering of North America: Integration and Exclusion in a New Security Context* (Routledge, New York & London, 2003)

⁴ American Society of Civil Engineers (<http://www.asce.org/reportcard/index.cfm?reaction=full&page=6#roads>)

Chinese cheap manufactures have produced a similar sense of dread, most notably in Mexico, which had thought that NAFTA guaranteed it a preferential market for these low-value added exports. But there has also been a more positive shock to the North American economic system from Asia: the inflow of investment from China matching the historic inflows from Japan, coupled with China's hunger for raw materials plentiful in all three NAFTA countries, arguably have opened up a range of opportunities for the region to attract the business of this new global economic superpower. Indeed, the challenge to North America's competitive advantage as a region is not necessarily whether we can outproduce and outsell China or Asia per se, but whether we can adapt effectively to the new global environment, which would ideally mean the inclusion of North America into rapidly expanding and dynamic globalized production networks that encompass our own businesses and those of Asia.

There has been some recent evidence that this theme of regional (vs. national) "North American competitiveness" has some traction in the halls of power in all three NAFTA countries as a potential organizing principle for a new phase of post-NAFTA integration. Three recent reports speak directly to the issue of North American competitiveness. The first, entitled "Building a North American Community," was drafted by a Task Force sponsored by the Canadian Council of Chief Executives, the Consejo Mexicano de Asuntos Internacionales, and the Council on Foreign Relations.⁵ The second was the "Report to Leaders, Security and Prosperity Partnership of North America," presented in June 2005 by the three NAFTA nations' foreign ministers in compliance with the stated goal of the Waco trilateral leaders' summit to produce a set of goals for the new SPP (including a timetable for incremental steps) within 90 days of the summit meeting.⁶ Both of these reports underline the need to press forward in building a seamless North American economic system as the foundation for prosperous and growing US, Canadian, and Mexican communities in the 21st century. However, the third report, the most recent Report to Leaders submitted by the "Security" and "Prosperity" ministers of the three governments in August 2006, goes one step further, and announces the creation of what is called a "North American Competitiveness Council," adopting the new buzzword of competitiveness for the name of what is to be the main consultative body of the private sector to the SPP process.⁷

And although the SPP's stated aims do maintain a distinctly nation-based outlook that belies a zero-sum view of "competitiveness" (i.e., implying that the goal is to give North American businesses an edge to "beat out" businesses from other regions), the global nature of so many North American businesses which are to be the main "stakeholders" for the SPP augurs

⁵ Building a North American Community: Report of the Independent Task Force on the Future of North America (New York: Council on Foreign Relations, 2005), also available at <http://www.cfr.org/publication/8102>. The Task Force Chairs were John Manley, Pedro Aspe, and William Weld; Vice-Chairs, Thomas d' Aquino, Andres Rosental, and Robert Pastor. This report was released prior to the trilateral leaders' summit at Waco, Texas, on March 23, 2005.

⁶ The report, dated June 27, 2005, and its detailed appendices outlining the "Security" and "Prosperity" agendas and the timetable for meeting incremental goals in each, are available at http://www.spp.gov/report_to_leaders/index.asp.

⁷ See Report to Leaders, August 2006, available at http://www.spp.gov/2006_report_to_leaders/index.asp. The initiative for the NACC was first announced at the trinational leaders' summit in Cancún, Mexico, on March 31, 2006, the first attended by newly-elected Conservative Prime Minister Stephen Harper. For the names of the Canadian members, see the press release on Prime Minister Harper's official site, June 13, 2006, <http://www.pm.gc.ca/eng/media.asp?id=1200>.

for a push to make the region attractive for both trade and investment. Looking now a year later, while SPP has been virtually invisible in the public eye, its working groups have been quietly moving ahead on a few of its more ambitious goals, such as a North American steel strategy via a new North American Steel Trade Committee (NASTC).⁸ And in the area of transportation, the SPP's "Prosperity" agenda includes the goals of "improv[ing] the safety and efficiency of North America's transportation system by expanding market access, facilitating multimodal corridors, reducing congestion, and alleviating bottlenecks at the border."⁹ Indeed, the US Department of Transportation (DOT) lists as its participation in SPP 11 proposed projects under nine separate sub-agencies, including a US-Mexico Mass Transit Border Project, joint rail inspections, a North American Transportation Statistics Interchange, and a project on short sea shipping.¹⁰

While the active participation of numerous government agencies and the promises of trilateral cooperation are encouraging, the question becomes whether the pressure on the region's infrastructure coming from the Asian trade boom will be enough to push ahead the more continental, multi-modal approach to transportation that is needed at this time. There is still a need to develop trilateral statistics which can then be used as a vehicle for two key policymaking priorities: weighing alternative means to expand North American port capacity and judging how much new capacity may be required under different economic scenarios. It is not at all clear that enough mid-level public servants, let alone leaders in the policymaking process, have begun to think either in continental terms or in network centric multi-modal terms. Specifically, possibly because of the continued political "third rail" of sovereignty,¹¹ projects that hint at tri-partite harmonization of highway policies have gotten little public airing, despite their patent rationality. Reducing inter-modal switching costs and generating ways to ensure flow optimization end to end among all transportation modes are also key to coping with new global flows, which are mostly containerized and need to be transported inland in the most cost-effective (and safest) way. Improving competitiveness for the continent requires more attention to multi-modal transport, rather than thinking of transportation as separate silos – rail, road, water, air. But perhaps most profoundly, this new challenge will require stakeholders in the public and private sectors to view the *North American economic system* as a whole that is not only greater than the sum of its parts, but is also critically dependent upon the dynamic – and

⁸ See North American Steel Trade Committee (NASTC), "North American Steel Strategy," available at http://www.spp.gov/pdf/NASTC_steel_strategy.pdf.

⁹ See U.S. Department of Commerce, "Security and Prosperity Partnership," available at <http://ostpxweb.dot.gov/S-3/sppcover.htm>.

¹⁰ See U.S. Department of Commerce, "DOT Security & Prosperity Partnership of North America Initiatives," available at <http://ostpxweb.dot.gov/S-3/sppinitiatives.htm>

¹¹ For example, the SPP's official U.S. site includes a "Myth vs. Fact" section which seeks to dispel ideas about the SPP (presumably present in the U.S. public's mind) such as: "the SPP is a movement to merge the United States, Mexico and Canada into a North American Union and establish a common currency," "the SPP infringes on the sovereignty of the United States," and "the SPP creates a NAFTA-plus legal status between the three countries." See Security and Prosperity Partnership of North America (SPP), "Myth vs. Fact," available at http://www.spp.gov/myths_vs_facts.asp. Canadian and Mexican popular and political concerns about sovereignty vis à vis the United States are also deeply rooted historically and arguably held in check a century of North-South economic integration before their policies started shifting in the 1980s. See Stephanie R. Golob, "Beyond the Policy Frontier: Canada, Mexico, and the Ideological Origins of NAFTA," *World Politics* 55 (April 2003): 361-398.

above all, efficient – interchange among its constituent regions, clusters, and supply chain locations. Thus, the development of transportation infrastructure in one subregion, such as the expansion of ports in the Pacific Northwest with an eye to the expanding trade with Asia, is not merely a vehicle for expanding bilateral trade between the US or Canada and China; it is – or can be – an investment in the infrastructure that will permit the whole North American continental region to consolidate and expand economic competitiveness in this era of global trade and production.

GATEWAY TO ASIA, OR TO NOWHERE: THE PACIFIC NORTHWEST IN NORTH AMERICA

In his influential book on Ontario as a “North American region-state,” Thomas Courchene challenged us to rethink the economic geography of our continent, and the role played by our subnational political units in our national economies, and in a larger continental system. As Courchene observes: “It is not just that nearly all Canada’s provinces are more integrated (in terms of exports) internationally than east-west, but also that Canada’s regions, which in some cases would incorporate more than one province, are economically/industrially quite distinct from one another. ... This means that it is time to view Canada as a series of north-south, cross-border economies with quite distinct industrial structures.”¹² More recently, journalistic attention has been focused on “Mexamerica,” or “Amexica,” the borderlands that span the US-Mexican border, as either possessing or developing a distinct economic and cultural space,¹³ while scholarly and policy attention has raised the profile of what Canada’s Policy Research Initiative (PRI) has identified as North America’s “cross-border regions,” which are characterized primarily by “substantial economic links, socio-cultural similarities, and the presence of cross-border organization.”¹⁴ What this last definition highlights, and what we are arguing in this paper, is that while the functional necessity of cooperation has driven North American integration across national borders, it is the quality and quantity of *organization* – the formal and informal mechanisms allowing local and vested interests in both the public and private sectors to advance common regional interests – that holds the key to its optimization. That is, while British Columbia is closely tied economically with Washington and Oregon, and may share social and cultural characteristics, what will ultimately matter for its own future competitiveness, and its contribution to North American competitiveness, will be as much political will as economic muscle.

As trade from Asia booms and transportation infrastructure is pressed to its limits, the need to organize and cooperate on issues of cross-border interest has become all the more pressing for the states and provinces in the Pacific Northwest zone, known more romantically as “Cascadia” (which hints at a secessionist spirit) and more bureaucratically as the Pacific

¹² Thomas J. Courchene with Colin R. Telmer, *From Heartland to North American Region States; The Social, Fiscal and Federal Evolution of Ontario* (Monograph Series on Public Policy, Centre for Public Management, University of Toronto, 1998), p. 289.

¹³ The former was featured in Joel Garreau, *The Nine Nations of North America* (Boston: Houghton Mifflin, 1981); the latter was preferred by *The Economist* in its survey of Mexico in the early days of NAFTA. See “Welcome to Amexica! A Survey of Mexico.” *The Economist* (October 28, 1995).

¹⁴ See Policy Research Initiative, North American Linkages Project, “Briefing Note: Canada-U.S. Relations and the Emergence of Cross-Border Regions” (February 2006), available at http://policyresearch.gc.ca/doclib/XBorder_BN_e.pdf.

Northwest Economic Region (PNWER). It is this latter grouping which will be the focus of this section, as PNWER represents precisely what PRI's definition had in mind in terms of matching economic interest with organization. PNWER, a public-private partnership, began its life as the Pacific North West Legislative Leadership Forum (PNLLF) in 1989, and by 1991 PNWER in its present form was established by statute in Alaska, Idaho, Montana, Oregon and Washington State on the U.S. side, and Alberta, British Columbia, and Yukon on the Canadian side.¹⁵ Its sophisticated governance structure includes the premiers and state governors, as well as a number of standing Working Groups, among them groups on Transportation (est. 1993), Export (1994; renamed Trade and Finance in 1997), and Agriculture (1995). As of 1994 the Working Groups have been directed by a Private Sector Council, adding a dimension of consultation and information exchange with public sector/elected officials.¹⁶ Not surprisingly, PNWER -- "with its 17 different working groups and memberships that include premiers, governors, legislators, counties, economic development commissions, industry associations, and private sector members"¹⁷ -- is cited in the PRI report as evidence of how the "thickness and intensity" of cross-border relations is greatest in the Northwest region.¹⁸

With all of this organizational sophistication, it is not surprising that PNWER's list of accomplishments impresses. Particularly notable have been its efforts across a variety of working group areas to improve the exchange of information and the generation of binational statistics in order to improve policy planning, most notably in its Environmental Technology Working Group and its Export (now Trade and Investment) Working Group. Another hallmark of PNWER's efforts which speaks to the ability to frame issues regionally (cross-border) is what might be called its diplomatic work. For example, in the thorny bilateral zone of confrontation known as softwood lumber, back in 1994 PNWER's Forest Products Working Group (at the request of British Columbia) worked towards the drafting of a set of common forestry principles which could serve as a reference for the region. Finally, it bears noting that, while PNWER has not been in operation even two decades, its relative longevity among North American cross-border regional organizations gives it influence with both national governments as what the PRI has called a "laboratory for policy innovation," citing PNWER's role in developing the NEXUS program;¹⁹ and among more recent arrivals to the cross-border region community (such as the Desert Pacific Region spanning the Mexico-U.S. border²⁰), both as a model and as an active advisor.

In the area of transportation, however, PNWER's most recent activities have been hardly innovative. In its Transportation Working Group's submission of Resolutions and Actions Points for their 2006 annual meeting, the topics included moving forward with the Pacific Gateway Strategy,²¹ though no specific proposals are offered; better communication with other

¹⁵ Unless otherwise indicated, information on PNWER is available on the PNWER website, <http://www.pnwer.org>. For a detailed chronology of what PNWER identifies as its "History of Accomplishments," see <http://pnwer.org/background/accomplishments.htm>.

¹⁶ See "PNWER: History," available at <http://pnwer.org/background/history2.htm>.

¹⁷ PRI, "Briefing Note," p. 4.

¹⁸ *Ibid.*, p. 5.

¹⁹ *Ibid.*, p. 6.

²⁰ For the legislation, see <http://ssl.csg.org/compactlaws/desertpacificeconomic.htm>

²¹ For Transport Canada's press release on the Pacific Gateway Strategy, see <http://www.tc.gc.ca/mediaroom/releases/nat/2005/05-gc013e.htm>

working groups; generic calls for greater attention to North-South cross-border transportation, particularly given the 2010 Olympics in Vancouver; and the decision to draft a letter of support to the Canadian government for a specific policy initiative.²² Where the innovation, or dynamism, seems to have been concentrated most recently, not surprisingly, is in the area of infrastructure security: PNWER has sponsored a Partnership for Regional Infrastructure Security (PRIS, launched in October 2001), launched a Puget Sound Partnership for Regional Infrastructure Security in line with the PRIS model, and participates in the Blue Cascades exercises designed to study “critical infrastructure interdependencies.”²³ All of these initiatives are arguably of utmost importance to the citizens of the PNWER region, and reflect their vital concerns regarding terrorist threats and emergency response. On the US side, they also reflect the real need for regions and local communities to compete for limited Department of Homeland Security funding. But the lack of a comprehensive *transportation* vision – even one that is overly-ambitious, such as the one presented by the Cascadia Project’s Bruce Agnew and Bruce Chapman in their recent policy paper on corridors²⁴ – speaks to the danger that PNWER has become very much like any American special interest group, which is responsive to its constituency’s narrow concerns rather than articulating a broader view of how their constituents will benefit into the future as a part of a continental economic system. As we have mentioned earlier, North America’s vast and daunting transportation challenge cannot be met without the identification of, and energizing of, a community of North American “stakeholders” who will see and press for the kinds of innovations that will overcome local rivalries and vested interests to make the region’s transportation network efficient and its continental economy attractive to exporters, importers, and investors, both in Asia and around the globe. What the PNWER example shows is that sophisticated organizations, such as public-private partnerships, are only part of the answer to how cross-border regions can contribute to improving future North American competitiveness. The other part lies in leadership – by individuals and organizations, mayors and oilmen, consumer groups and small-town exporters – who “get it” and can persuade others that they have “North American interests” in transportation.

Moreover, as part of a post-Asian boom strategy, there is a need for greater innovation in terms of how cross-border regions identify themselves within the continental economic system, another challenge for leadership. New or expanded ports, like the one proposed for Prince Rupert in British Columbia, must be conceived of not as simply a “gateway” between Canada and Asia, but rather as the interchange point of containers into – and outward from -- the North American economy. A Pacific Gateway Strategy that speeds the inward flow of Asian containers at a new Prince Rupert Port facility only to see them dumped in the Chicago rail yards would scarcely be a victory. The point is that Vancouver, Montreal, and Halifax can also be viewed – and view themselves – as North American ports, each of which could then be expanded to expedite larger flows of goods not only into Canada, but to the US and, quite possibly, Mexico. To benefit the

²² PNWER, “Transportation Action Points/Resolutions,” summarized and available for download at <http://pnwer.dataweb.com/resolutions.view>.

²³ See <http://pnwer.org/pris.index.htm>

²⁴ See Bruce Agnew and Bruce Chapman, “How Do We Get To There From Here? A Transportation Future for the Puget Sound Region,” Cascadia – The Discovery Institute (no date), available at <http://www.cascadiaproject.org>

local communities as well as the rest of North America into the future, port development must be seen in context of continental trade flows with Asia and in context of a continental transport system.

“Inland ports” are also important in this strategy, both because of their obvious virtue of decongesting their related maritime ports, and because they can aid in homeland security screening. But there is also a North American advantage, as inland ports can transform themselves into continental hubs. Here, the key players are likely to be cities, and their main vehicle will be the trade corridor movement. North America’s trade corridors can be formed along highways, or combine road and rail; many are made up of geographically contiguous sites connected North-South, though some of the more innovative ones have been formed through a creative reimagining of geographic location. Kansas City, Missouri, for example, has done just that, transforming itself from a modest Midwestern hub and the home of the “Mexiplex,” a building housing the Kansas City-Mexico Business Development Corporation, as well as trade desks for various Mexican cities and states.²⁵ Kansas City officials have also entered into talks with Winnipeg, to bring the Canadian presence there as a way to underscore their North American regional strategy. In the Pacific Northwest, there has been a trade corridor movement; indeed, back in 1999, PNWER, together with the Cascadia Project, launched the Inland Corridors Project.²⁶ In 2001, the West Coast Corridor Coalition (WCCC) then sought funding for an outreach initiative, to extend the corridor, “From B.C. to B.C.,” meaning British Columbia in Canada to Baja California in Mexico, and north to Alaska.²⁷ This project, funded by the US DOT, potentially covered 1,500 miles of the West Coast that has become critically congested (approximately half of all container cargo transits through West Coast ports) and where the burden of this congestion (environmental, employment, etc.) has fallen on local communities. Like PNWER, and in all likelihood following its model, the WCCC is a public-private partnership, with a private sector advisory group, that has a somewhat broader view geographically and yet a more narrow view as a trade and transportation corridor. However, because of the economic clout of this expanded, trilateral corridor in an age of booming Asian trade, the WCCC has a better chance of attracting federal government attention, possibly through the SPP. But to truly impact North American competitiveness, this North-South group will need to look East-West within North America as well, looking for ways to line up support for better road and rail links between its ports (maritime and inland) and the heartland of the US, for example, or connecting Alaska and northern British Columbia with eastern Canada via Midwest US or Canadian “hubs.” This North American strategy, rather than the “cross-border region” approach, may be the way the Pacific Northwest can best leverage its geography for its own benefit, while benefiting the North American regional economy more broadly.

²⁵ Kansas City, International Affairs and Trade Office, “The Mexiplex: What We Do,” <http://www.kcmo.org/international.nsf/web/tradedesk>

²⁶ PNWER, History of Accomplishments, Transportation Work Group, at <http://pnwer.org/background/accomplishments.htm>.

²⁷ Bruce Agnew, “From B.C. to B.C....and Beyond,” presentation to the 15th Annual Meeting of the Pacific Northwest Economic Region, Westin Hotel, Seattle, Washington, July 14-18, 2005. Available at http://www.pnwer.org/meetings/Summer2005/Presentations/Trns1/Trns1_Agnew_WCCC.pdf#search=%22west%20coast%20corridor%20coalition%22

THE COMING CRISIS POINT IN NORTH AMERICA'S TRANSPORTATION INFRASTRUCTURE

Transportation provides a particularly important example of the need for thinking in North American terms. Despite the enormous sums that have been spent on roads in the past decade, and despite the fact that there are many people and institutes involved in transportation issues, there is still have little sense of what a *North American transportation system* might look like. Many specialists agree that we are approaching a major decision point in the North American economic system.

Unlike Europe's experience where governments played a much larger initiating role, building the North American economic system has been very much a bottom-up process, driven by corporate strategies and structures. NAFTA can be seen as a response by governments to developments already underway in the North American economy – as efforts to bring regulatory frameworks into line with this emerging economic system. We have now reached the limits to bottom-up integration. Decisions on vital issues like transportation and borders – and on energy and immigration -- must be made, based upon more sophisticated conceptualizations of what “North American” options would best serve our continent's interests in these sectors. Policymakers and stakeholders alike have to think outside of their local, national, and sectoral boxes, to consider what a North American economic system might look like in 10 or 20 or 50 years, and how they could best benefit from its future consolidation. But most of all, given the weak institutional framework provided by the NAFTA accord itself and the growing recognition that the private sector cannot simply adapt its way towards this next level of efficiency, there has to be a rigorous, fair, effective, clear-sighted, and transparent process through which these decisions can be made. Among the many questions to be answered are:

- Should we seek to improve Long Beach-LA port capacity or open access to Mexico's deep-water Pacific ports?
- Should we improve highway connections across the US-Canada and US-Mexico borders or should we look for ways to increase rail coverage?
- If a new post-Panamax port is built at Prince Rupert, how can 8 or 10,000 containers be moved efficiently to the main North American hubs given limited road and rail capacity in Western Canada?
- What about short sea shipping corridors along the Atlantic, Pacific, and Gulf coasts? How much would this relieve land congestion?

Unfortunately, no agency or organization has been mandated to come up with answers to questions such as these, nor is there any blueprint for how a “North American” transportation strategy would be implemented. There are very few historical examples of successful transportation policies in the US and Canada, though the successes did play an outsized role in both countries' aims of building *national* economies (in the case of Canada, designed specifically to create an East-West orientation to counterbalance the North-South ties deemed dangerous to the integrity of the nation). Building a “national road” was a key (though unfulfilled) objective in the early days of the United States, while President Lincoln took the lead in building a transcontinental railroad. Canada built the Trans-Canada highway and railroad, the latter the centerpiece of Prime Minister Sir John A. Macdonald's push for national unity (and his own political legacy) in the late nineteenth century. In the US, President Eisenhower was able to build

the Interstate system a half century ago. What can we learn from these experiences? More specifically, can we learn from these experiences how to link ourselves together in an *open regional* economic system, one which depends upon the open circulation of goods up and down supply chains, and that is not aiming for political unity or to keep trade out, but to compete for the flows of trade and the economic prosperity they promise?

These unanswered questions, and the issues of infrastructure investment they reflect, may not seem as pressing as the more newsworthy threats to our security, but for the future of economic competitiveness of our region the stakes could not be higher. The weakening of our transportation infrastructure will limit our ability to compete in global markets in coming decades and will give overseas competitors with access to more modern and efficient transportation systems a substantial advantage. Inadequate transportation infrastructure also limits the growth of particular North American regions. The inadequacies of Mexico's physical infrastructure are well known, particularly in the south. Meanwhile, similar problems affect the Atlantic Provinces, which, along with northern New England, are in danger of being left behind as a "geographic backwater" in the new North American economic system.²⁸ But as we have seen, the problem also extends to a region like the Pacific Northwest, less from a point of view of relative backwardness (though there certainly are poor rural and lumber areas in Washington State and British Columbia), and more from the inability of aging and inadequate infrastructure to keep pace with the explosion of Asian trade, making the region a victim of its own success in a manner of speaking. In this paper, we have argued that what needs to change is not only funding and organization of those who seek to improve the state of North America's transportation infrastructure, but also the mindset. There needs to be a recognition that a region like the Pacific Northwest, which perhaps stands to gain the most from the boom in the Asian economies, is also bearing a burden for our entire continental economic system as its transportation system reaches its limits. Cross-border regional groups and trade corridor coalitions can play a vital role in this process, but it must be one with a broader vision than merely to survive or to line their own nests. Their strongest argument for (bi-, or even tri-) national attention to their plight is not that they are special, but rather that they are not – that is, to take that next leap in global competitiveness, the entire North American transportation system needs an overhaul, and this would be a great place to start.

²⁸ See AIMSs

APPENDICES

Economy and Finance

Table 6-8: Transportation Expenditures by State Governments: 2003
(Millions of current dollars)

State	Total	Highway	Transit	Air	Water
Alabama	1,047	971	Z	<1	75
Alaska	1,140	802	/	238	/
Arizona	1,295	1,292	Z	3	Z
Arkansas	941	840	/	<1	/
California	5,118	5,035	51	2	Z
Colorado	1,107	1,106	Z	1	Z
Connecticut	1,181	678	207	31	6
Delaware	151	338	87	Z	29
District of Columbia	/	/	/	/	/
Florida	4,685	4,812	58	Z	15
Georgia	2,012	1,837	<1	3	172
Hawaii	480	248	/	185	45
Idaho	413	411	Z	2	Z
Illinois	3,208	3,155	41	12	Z
Indiana	1,408	1,366	34	<1	8
Iowa	867	836	20	/	/
Kansas	831	831	Z	Z	Z
Kentucky	1,085	1,094	Z	<1	Z
Louisiana	1,151	1,045	Z	8	138
Maine	403	470	Z	9	9
Maryland	2,172	1,273	487	208	187
Massachusetts	2,919	2,304	Z	557	57
Michigan	1,217	1,201	10	9	Z
Minnesota	1,322	1,199	112	12	Z
Mississippi	109	800	/	/	9
Missouri	1,660	1,660	<1	<1	<1
Montana	480	479	Z	1	Z
Nbraska	141	140	/	3	/
Nevada	640	640	Z	Z	Z
New Hampshire	363	347	5	<1	<1
New Jersey	4,640	2,270	2,338	6	27
New Mexico	885	885	Z	3	Z
New York	10,385	3,847	6,471	37	10
North Carolina	2,187	2,180	20	/	60
North Dakota	303	302	/	<1	/
Ohio	2,287	2,284	Z	3	Z
Oklahoma	1,121	1,070	/	1	<1
Oregon	684	681	7	7	7
Pennsylvania	4,680	4,605	41	9	6
Rhode Island	109	220	123	45	7
South Carolina	1,325	1,267	Z	1	87
South Dakota	801	346	/	14	/
Tennessee	1,232	1,232	Z	Z	Z
Texas	5,154	5,154	/	/	/
Utah	664	638	Z	26	Z
Vermont	214	238	10	6	/
Virginia	2,621	2,313	14	29	245
Washington	1,364	1,340	22	2	Z
West Virginia	872	852	7	2	<1
Wisconsin	1,340	1,251	Z	79	<1
Wyoming	438	436	/	/	/
Total	65,165	72,455	10,295	1,565	1,190

KEY: / = Data not available, or no activity, or a value of zero, or value too small to report

SOURCE: U.S. Department of Transportation, Research and Innovative Technology Administration, Bureau of Transportation Statistics, *Government Transportation Financial Statistics 2004*, Washington, DC, forthcoming

Table 22
Value of U.S. Merchandise Trade with NAFTA Partners by Mode: 1997–2001
 (Billions of dollars)

	1997	1998	1999	2000	2001	Percentage change, 2000–2001	Percentage change, 1997–2001	Average annual growth rate, 1997–2001
Total U.S. trade with Canada and Mexico								
Truck	325	350	385	429	395	-7.5	22.3	5.2
Rail	70	68	78	91	93	-1.7	32.6	7.3
Air	28	30	34	45	37	-17.7	33.3	7.5
Water	22	27	23	33	29	-10.1	45.4	7.9
Pipeline	14	17	12	24	26	12.0	87.0	16.9
Other ¹	19	23	25	29	33	12.4	75.6	15.1
Total trade	475	503	539	653	614	-6.1	29.1	6.6
Subtotal, land	426	452	501	576	547	-4.9	28.5	6.5
Land, % of total	89.6	89.9	89.7	88.1	89.2			
U.S. exports to Canada and Mexico								
Truck	167	175	190	212	190	-9.6	15.1	3.6
Rail	19	18	17	23	23	-0.1	33.6	5.4
Air	17	19	21	27	22	-18.7	25.4	5.8
Water	6	7	7	9	9	-5.0	48.0	10.3
Pipeline	0.3	0.2	0.3	0.5	1	11.7	107.9	20.1
Other ¹	12	14	15	16	19	18.3	53.8	11.4
Total exports	222	233	251	288	265	-8.0	19.7	4.6
Subtotal, land	198	208	223	252	235	-6.9	18.4	4.3
Land, % of total	89.5	89.2	88.7	87.5	88.4			
U.S. imports from Canada and Mexico								
Truck	157	175	195	216	204	-6.0	30.0	6.8
Rail	51	49	61	71	69	-2.1	35.0	8.0
Air	10	17	13	18	15	-16.2	46.7	10.1
Water	16	14	16	23	21	-12.1	30.6	6.9
Pipeline	14	17	12	23	26	12.0	85.6	16.9
Other ¹	6	9	10	13	14	5.4	116.7	21.8
Total imports	254	270	308	365	348	-4.6	37.2	8.2
Subtotal, land	228	244	279	324	313	-3.4	37.3	8.2
Land, % of total	89.7	90.3	90.5	88.7	89.8			

¹ Other includes "Miscellaneous" (i.e., freight moving from the manufacturer to a customer and not emptying any freight), vessels moving under their own power, and private carrying freight and mail by bus.

NOTE: Shipments that neither originate nor terminate in the United States (i.e., In-transit or in-bond shipments) are not included here, although they use the U.S. transportation system. These shipments are usually part of Mexico-Canada trade and simply pass through the United States. We have also included late export shipments valued at less than \$7,500 and import shipments valued at less than \$1,250. Individual modal totals may not sum to exact export or import totals due to rounding.

SOURCE: U.S. Department of Transportation, Bureau of Transportation Statistics, special tabulation, May 2002, based on total trade, air, and water data—U.S. Department of Commerce, U.S. Census Bureau, Foreign Trade Data, #722 U.S. Merchandise Trade, NCG 00 2001 (Washington, DC, 2000–2001); and all-land modes—U.S. Department of Transportation, Bureau of Transportation Statistics, International Surface Freight Data, as of January 2002.

Table 23
U.S. Merchandise Trade with Canada and Mexico
by Mode: 2000 and 2001
(In percent)

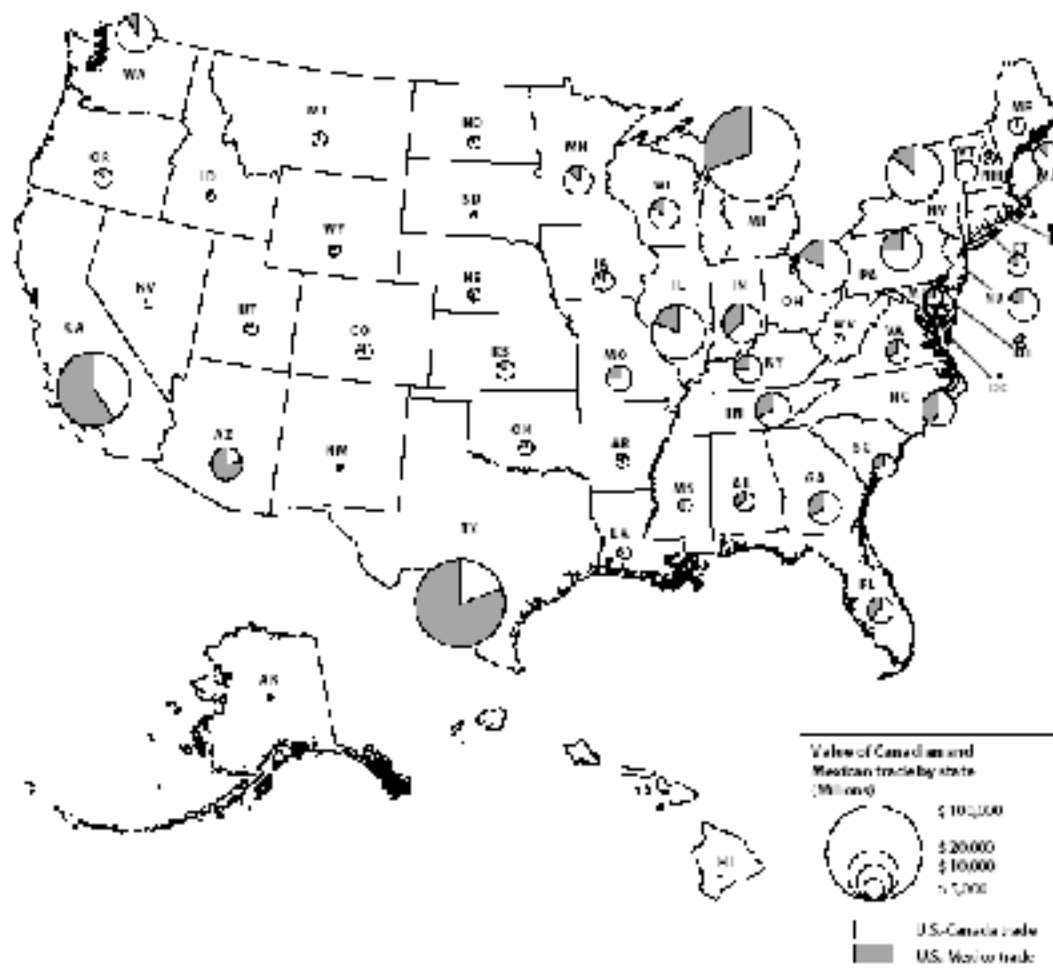
Mode	Value		Weight	
	2000	2001	2000 ^R	2001
Truck	65.6	64.4	32.8	31.5
Rail	14.4	15.1	16.3	17.0
Pipeline	3.6	4.3	13.8	13.9
Air	6.9	6.0	0.2	0.1
Water	5.0	4.8	35.9	37.4
Other and unknown	4.5	5.4	0.1	0.2
NAFTA trade, total	100.0	100.0	100.0	100.0
Truck	63.5	61.7	35.4	35.3
Rail	15.4	15.8	20.8	21.6
Pipeline	5.7	6.9	19.1	19.4
Air	7.8	6.6	0.2	0.1
Water	2.2	2.4	23.6	23.5
Other and unknown	5.3	6.7	0.1	0.2
U.S. trade with Canada, total	100.0	100.0	100.0	100.0
Truck	59.1	68.9	24.7	23.3
Rail	12.7	13.9	6.1	6.9
Pipeline	0.1	0.1	2.0	1.8
Air	5.4	5.2	0.1	0.1
Water	9.5	8.6	67.0	67.7
Other and unknown	3.1	3.2	0.2	0.2
U.S. trade with Mexico, total	100.0	100.0	100.0	100.0

KEY: R = revised.

NOTE: Due to data revisions, 2000 modal shares for overall NAFTA trade differ from previously published data.

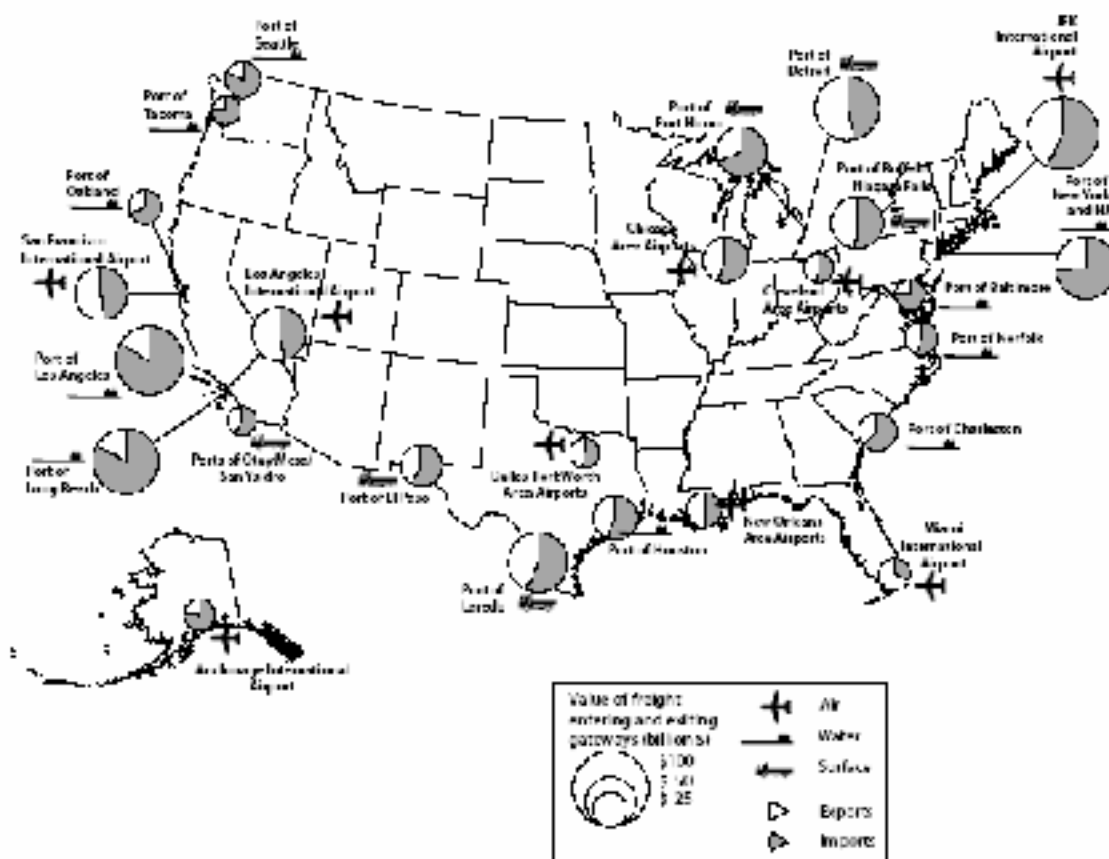
SOURCES: U.S. Department of Transportation, Bureau of Transportation Statistics, special tabulation, May 2002; based on total trade, air, and water data—U.S. Department of Commerce, U.S. Census Bureau, Foreign Trade Division, *FT920 U.S. Merchandise Trade 2000 to 2001* (Washington, DC: 2000-2001); and all land modes—U.S. Department of Transportation, Bureau of Transportation Statistics, *Transportation Statistics, Transmode: Surface Freight Data*, as of January 2002.

Figure 12
 Value of North American Merchandise Trade by U.S. State—All Surface Modes: 2001



SOURCE: U.S. Department of Transportation, Bureau of Transportation Statistics, Transportation Surface Freight Data, as of January 2002.

Figure 15
 Top 25 U.S. International Freight Gateways by Shipment Value: 2001



NOTE: See table E-17 on page E-14 for the data. All data—mode levels reflect the mode of transportation as a shipment enters or exits a border port. Data through individual ports are based on reported data collected from U.S. trade documents. Trade does not include low-value shipments (in general, these are imports valued at less than \$1,250 and exports that are valued at less than \$2,500). Air—Data for all air gateways include a low level (generally less than 25–35% of the total value) of small-value airports located in the same region. Air gateways not identified by airport name (e.g., Chicago) include major airports in that geographic area as well as small regional airports. In addition, due to U.S. Customs Bureau con-

tinuity regulations, data for charter operations are included in the airport totals for JFK International Airport, New Orleans, Los Angeles, Cleveland, Chicago, Miami, and Anchorage. Water—Data are preliminary.

SOURCE: AIR—U.S. Department of Commerce, U.S. Census Bureau, Foreign Trade Division, special tabulation, May 2002. Water—U.S. Department of Transportation, Maritime Administration, Office of Statistical and Economic Analysis, personal communication, May 2002. Land—U.S. Department of Transportation, Bureau of Transportation Statistics, Transborder Surface Freight Data, 2002.

Table C-14
U.S.-NAFTA Trade by State for All Surface Modes: 2001
(Millions of current dollars)

U.S. state ¹	Total U.S.-NAFTA surface trade	U.S.-Canada	U.S.-Mexico
Michigan	89,327	61,787	27,540
Texas	77,324	14,972	62,352
California	53,845	21,623	32,222
New York	31,748	27,133	4,616
Ohio	28,335	22,979	5,417
Illinois	28,023	22,750	5,273
Pennsylvania	15,697	11,947	3,751
Indiana	15,270	9,745	5,525
Washington	14,585	13,382	1,203
Tennessee	11,891	8,097	3,794
North Carolina	11,047	6,299	4,758
Arizona	10,287	2,150	8,137
Georgia	9,903	6,541	3,362
New Jersey	9,569	7,736	1,833
Wisconsin	9,131	7,595	1,537
Minnesota	8,332	7,354	978
Massachusetts	7,975	6,958	1,017
Kentucky	7,319	5,491	1,888
Florida	7,067	4,471	2,596
Missouri	6,344	4,694	1,650
South Carolina	5,815	4,067	1,747
Virginia	5,426	3,717	1,709
Vermont	4,453	4,427	26
Connecticut	4,326	3,356	970
Oregon	3,879	3,398	481
Iowa	3,872	3,371	502

(Table C-14 continued on next page)

(Table C-14 continued)

U.S. state ¹	Total U.S.-NAFTA surface trade	U.S.-Canada	U.S.-Mexico
Alabama	3,845	2,591	1,253
Kansas	3,571	2,924	647
Maryland	2,862	2,085	778
Colorado	2,722	2,192	529
Maine	2,595	2,557	37
Oklahoma	2,121	1,529	492
Arkansas	2,022	1,650	391
Montana	1,909	1,363	45
Utah	1,902	1,659	242
Louisiana	1,882	1,509	374
New Hampshire	1,725	1,402	323
North Dakota	1,716	1,616	100
Mississippi	1,547	864	783
Nebraska	1,593	1,097	497
Delaware	1,517	1,099	418
Wyoming	1,310	1,254	55
West Virginia	1,174	1,095	79
Nevada	892	888	105
Idaho	893	813	80
Rhode Island	869	725	144
South Dakota	611	531	80
New Mexico	473	252	221
Alaska	303	275	28
District of Columbia	122	109	13
Hawaii	60	57	3
Total, all U.S. states	547,312	346,515	200,797

¹ States are ranked by total U.S.-NAFTA surface trade.

NOTE: U.S. state surface trade value equals imports to the U.S. state of destination plus exports from the U.S. state of origin. The U.S. state of destination reflects the state of the importer of record. This state may not always represent the ultimate physical destination of shipments. The U.S. state of origin typically reflects the state of origin where the goods were grown, manufactured or otherwise produced. In some instances, however, it may not always reflect the actual state of physical origin. Shipments for Hawaii are intermodal and are included in this dataset, because a portion of the shipment moves by a land mode from either its origin or final destination. Total for all U.S. states includes data where the state of origin or destination was unknown.

SOURCE: U.S. Department of Transportation, Bureau of Transportation Statistics, Transportation Surface Freight Database of January 2002.