Adam Posen: With apologies to my colleagues, Barbara and Jeff, and to our distinguished friend from the embassy, we are a bit on a tight schedule. Every other panel managed to run early, but now we didn’t manage to bank that time and I apologize for losing that.

I’m very honored to have with us today two most distinguished officials, former officials, business leaders, people who have been at the heart of US and Mexican economics for many years now and- my job is to distract you while they’re doing that. So I’m getting my actual biographical notes, rather than just doing my usual, they’re wonderful, but these two people particularly are.

We’ve been very fortunate to have with us most of today if not all of today, Ambassador Eduardo Medina-Mora Icaza, and forgive my pronunciation of your last—of the several names. As he mentioned when he intervened this morning, Ambassador Medina-Mora is someone who comes to the role as the leading voice of Mexico in its capital, in the United States, out of a private sector background. And he’s someone who converted to being, I believe, pro-NAFTA over the course of his private sector and then distinguished public sector career.

He previously was ambassador of Mexico to the United Kingdom before coming here to Washington in January 2013. He held cabinet level positions in the Mexican federal government, including as Attorney General, as Secretary for Public Security, as head of the Mexican Civil Intelligence Agency. And I welcome him to the more peaceful side of the street, in terms of his endeavors.

In the private sector, he was a Corporate Director of Strategic Planning of the DESC Group, which is a large Mexican conglomerate; some of you are familiar with, interest in agriculture, petrochemicals, agri-business, real estate. But most importantly for today’s discussion, while in the private sector, he coordinated the legal advisory team to the Mexican government during the NAFTA negotiations.
It would be hard to find someone comparable to speak, although I must give a hand to our fabulous team that did a NASCAR-like turnaround of the stage. Well done, guys and gals.

It is a distinct privilege and honor for me to introduce the Honorable Thomas Mack McLarty. Mack has an incredible record at the intersection of business and public service sequentially and back and forth in a way that few can match. He runs his own family business, now in its fourth generation, doing trucking across the Mexican and all across North America. He has served as a CEO of a major natural gas company. He, following President Bill Clinton's 92 election victory, of course entered the public service, was the White House Chief of Staff when NAFTA turned from negotiation to reality. He of course, spent five years in the President’s cabinet and held the roles of Special Envoy for the Americas and has been awarded the Secretary of State’s Distinguished Service Medal and the Civilian Honors from among other, several Latin American countries, Mexico.

Of course, he is now President of McLarty Associates and remains active with the Chamber of Commerce, with a number of other institutions. And we are extremely grateful to him that he could take the time to join us today as well. May I invite the Ambassador and Mack to join us on stage? And we can have a somewhat looser conversation, although I know they both have a lot to say.

Let me begin by just recapping for a second, where we’ve come today. We’ve talked about the development of Mexico’s economy with active participation from our friends at McKinsey Global Institute and our friends from the Mexican private sector, and come to the conclusion that there’s a long way to go with formalization of the Mexican economy and that that is a key part of its future development, but that the traded sector has advanced hugely and it has not come in any way at the expense of the backward sector of Mexico, if I can put it that way.

We have also discussed, thanks to Lindsay Oldenski and Ted Moran’s work for the institute, the direct impact of NAFTA on the manufacturing sector in the US. And we’ve shown, or she has shown, that the investments abroad by US multinationals, specifically in Mexico, just like in their general data-set, actually create jobs and income and in particular, R&D investment at home as well as demand for other services, such that you’re getting, I believe you said it was close to two jobs generated in the US for every one job put into Mexico. And we had a very interesting discussion about the ways we might extend that work, test that work. But the results are very robust.
We had a luncheon discussion in which Gary Hufbauer and co-authors put out a very measured, I think, statement that you cannot claim huge transformative gains for NAFTA but all of the exaggerated claims about NAFTA’s ills for the US and for Mexico really are exaggerated and should not be taken seriously. And we had a very fruitful discussion there, including Doug from USTR who emphasized the need to nowadays in the US context, sell NAFTA but sell upgrading NAFTA and counter the negative aspects in today’s politics in the US.

We also had a very useful contribution from our colleague, José De Gregorio, from a Chilean perspective, on how Mexico has not done that great, could do better. But it’s very difficult to imagine Mexico absent in NAFTA. And from our academic colleague, Raymond Robertson, of course, he’s very involved with the labor issues about the need for greater generosity of adjustment in the US process, even though the wage effects and particularly interestingly, he had some new results on inequality in Mexico, going in a positive direction, rather than a negative direction unlike of NAFTA.

And then finally, my colleagues, Fred Bergsten, Barbara Kotschwar, and Jeff Schott, tried to turn us towards the future, what the Pacific Alliance has been doing, not just in the World Cup, but in the world, and feeding into the Trans-Pacific Partnership, and Jeff Schott talking in very practical terms about how we can make this, not the NAFTA needs fixing, but how we can build on NAFTA for the Trans-Pacific Partnership.

That is where we’ve been. But I ask you two, very distinguished leaders, to join us today to give us a little more of where you see the vision statement. Where should we think about US-Mexico economic integration going forward? Where should we think about packing our country’s trade agenda? And how can we grapple with the kinds of suspicions that so many in the US public debate seem to have even if we think, and I think I speak fairly for all of us, that a lot of those suspicions are unjustified? With easy agenda, perhaps Ambassador, you would care to speak first.

Ambassador Eduardo Medina-Mora: Thank you very much, Adam, first, for organizing the Peterson Institute, it's-

Adam Posen: I’m turning this off, by the way.

Ambassador Eduardo Medina-Mora: It really has been a fantastic morning. I have learned a lot and this is not the first time that, of course, I faced these issues. But today has been eye-opening in many senses. So thank you for that.
And there is an old African saying that states that there are two good moments to plant a tree; 20 years ago and right now. And of course, NAFTA, as I said, the rules allow us to achieve a lot and numbers are overwhelming in many senses. The achievements are not irrelevant. Challenges are also there with us. And I would say that NAFTA, in that sense, has to be seen not as a trade agreement or not as a trade arrangement. Of course, the set of rules for trade allowed everything to evolve.

But this is much more than that. It is a shared production platform. And in that sense we have to, not only look at the numbers but at the quality of the numbers. And the way we have successfully integrated value added chains throughout North America, and I include Canada here, which is very important.

For those sectors that have been very successful from this arrangement, autos of course, aerospace now increasingly, electric, electronic, and services, which is also quite important. And in this sense the quality of numbers in comparing is if all off-shoring is equal as was asked, it is not. And when you import into the US, Chinese products, it’s very clear that the US value added into those products is quite low, 4%. But if you do that from Europe it’s not any better. It’s really 3%. It is 25% from Canada because history in terms of integration and it’s 40% from Mexico.

And this has a two-side story; the very relatively low value added coming from Mexican companies into this equation, I referred to this previously. But also the opportunity to grow these into the future, not in terms of changing that value-added equation, but really to growing the shared production platform, which is really the opportunity.

In this sense, I would say that we have had a set of rules which has allowed us to achieve a lot. But for the most it has been the merit of the private sector and business people, taking risks, making decisions, and changing reality from their actions. It has not been essentially, even from public policy, although public policy has now been absent, but it is not really the vision of governments looking forward. Of course, they did that 20 years ago, but they have not done so in the process.

The challenge and the opportunity towards the future is to build up a shared, strategic perspective on each of them, a shared, strategic vision of the shared economic space of North America. I do not talk about NAFTA anymore. I talk about North America as our area. And from the Mexican perspective, let me end by saying this. I love this quote from Porfirio Díaz, “That the Poor Mexico, so far from God, so close to the US.” I have actually looked for this quote and I have never really—but if not said, well, at least stated. But I also heard Shimon Peres, when he was the prime
minister of Israel, that said, “No, no, no that’s not the case. Poor Israel, so
close to God, so far from the United States.”

So this neighborhood is a blessing and Mexico is very clear on where it
stands. The Pacific Alliance is a good example and Mexico is Latin
American in identity, in values, in approach to life, but it is in North
America and the reality looking towards the future is geography. We can
be forgiven by history but not by geography.

Adam Posen: Wow. Okay. I’m not going to make any jokes. That was good. Mack,
where do you see the US-Mexico in the broader North American
integration going from here?

Mack McLarty: Well Adam, first of all, I’m delighted. I’m very pleased to be here as well.
Thank you for your strong voice on economic affairs and more broadly,
for many years with the Bank of England and now here at the Peterson
Institute for International Economics.

Of course, Fred, it’s always good to be with you and you’ve been a great
source of information and mentoring over the years. I trust your free throw
average is up now that you have a little more time to pick up basketball.

But this is an institution that addresses in a serious way, with some of the
people you have in this room, not only international economic issues, but
how they impact in a very specific way people’s lives in various
economies. So I commend you for that. And I’d really be remiss if I did
not tip the hat to Pete Peterson, whom I’ve had the privilege to work with
over many years and he’s been a force for so much good in this country
and more broadly. And he has certainly not only has a great Bergsten
room here, but a wonderful and very impressive building as well.

Ambassador Medina-Mora, it’s great to be with you. Your remarks, as
always, were thoughtful, eloquent, and perfectly punctuated in both tone
and substance.

Adam, I think on the NAFTA, the first point I would make is it may be a
little surprising that we’re all here on the 20th anniversary. NAFTA was
not an ordained conclusion. In fact, Business Week about a month before
we went forward with it, said, “NAFTA is not out, but it is down,”
because the forces against it had already rallied in a very serious way.

You’re right that we, in the Clinton Administration, built on the agreement
that was negotiated by a board member here, Ambassador Carla Hills,
with President Bush 41, and there, as Jeff and others know, there were
other clauses in that agreement that had to be renegotiated. And I
remember President Salinas and others saying, “No, you’re not asking us
to go an extra mile. You’re asking us to go the extra-extra mile as we finally got down to the specifics.”

So the first point I would make in terms of just a bit of history and I think importance, presidential leadership, it was critically important in the NAFTA and it will be critically important in the other trade agreements that you’ve discussed today. And I recall so well driving in from Andrews Air Force Base with President Clinton and Ambassador Medina-Mora. I asked the President. I said, “Mr. President, are you ready for us to move forward on the NAFTA following on our economic plan?” And he usually was very easy to deal with and he kind of turned and a little bit tersely said, “Mack, I have told you now three times I am ready to move forward.” And I said, “Mr. President, I’m aware of that. But not everybody in our White House and our administration is ready to move forward. And I just want to make absolutely sure that you are before we do.”

And so, I think on any trade agreements, they’re difficult and the sequencing of those agreements within any administration with other legislative matters, other priorities, is always a challenge. So that would be the first point that I would make.

The second point, it is so much better and I think really essential, to pass any major piece of legislation and certainly any major trade agreement, in a bipartisan manner. Number one, you really can’t get enough votes without doing that. But even if you’re able to kind of force it through with a small amount of votes from one side of the aisle to the other, and it’s usually on my side, the Democratic side, that the challenge occurs, it’s not going to be as well received or broadly accepted.

In our case, I have good memories of that, of both marshalling support on both sides of the aisle. And it’s the only time I can remember Newt Gingrich and George Stephanopoulos in the Roosevelt Room counting heads together. It only happened that one time. And I think we were pretty effective in bringing together former presidents, which I really commend President Bush 41, who of course had just come off the election, as well as President Carter, former Secretaries of State, to support the initiative on a bipartisan basis.

The third point I would make on the NAFTA, I think it applies to the TTIP and TPP, but maybe not quite as much as the Ambassador just noted, that NAFTA was much more than a trade agreement and I know that’s been discussed today. But it really in many ways, I think, put a framework in place, particularly for Mexico, but now we’re seeing in the North American continent, to continue to look outward in the world and to
recognize reality that economics, security, so many other factors were increasingly interconnected.

And I think that was particularly important in Mexico, as we have seen Mexico’s development still with many challenges, as the Ambassador would note, and we’ve got a few challenges here in our country I would also quickly add. But you see the development of such a strong independent central bank. You see a rising middle class. You certainly now see reforms that we knew would take some years to get in place, but going forward under the current administration with President Peña Nieto. You see with the middle class rising, the retail segment, really developing in Mexico with US and other international firms going into Mexico in that manner. You see more emphasis on environmental stewardship than you did 10 or 15 years ago.

And I think it wasn’t solely because of the North American Free Trade Agreement certainly, but I think that put out a pillar or marker if you will, for Mexico to continue forward, including the political process where you’ve seen consistently now pretty historic political processes with different parties coming into power.

The fourth point I would make, in response to Adam to your question, is one you’ve already touched on. And that is we’ve got to put forward trade agreements in a way that recognize the concerns, legitimate concerns, and the dislocations, even though they may not be all attributed to a specific trade agreement. But in Spartanburg, South Carolina or Elkhart, Indiana that’s a pretty personal human face or a specific issue. Although I would note, in Spartanburg and Elkhart, just to pick two cities somewhat at random, you have major BMW or Boeing plants in that area and Elkhart is part of that 40% North American platform that Eduardo just spoke of.

But still I think what’s hopeful, you see a bipartisan effort, rare occurrence in these days, in terms of job training programs being streamlined and much more efficient in our Congress by 90 to 3 votes. And I think we will have to do more with TAA, Trade Adjustment Assistance, going forward. But we need to recognize that going forward, and that’s part of this very program that you’re having and organizing today. And Gary, I think, in his panel, really took some of the specific issues and with empirical data, really addressed them in a very head-on way.

Finally, really to go to Jeff’s panel, which I had the good opportunity to hear much of, I think it’s unlikely TPA is going forward between now and the mid-terms. But I would hope that we would get ready to move forward, assuming the President is serious about trade agreements in his legacy in going forward, and I believe he is. And I think Ambassador Froman and Secretary Pritzker and others are advocating it in a very
skilled and hard manner. I think Chairman Wyden has got the smart track approach, which I think is how he is trying to build a democratic consensus, a bipartisan consensus. So I hope we would be ready to move forward after the mid-terms.

And finally to me, the theme of this conference really is something that President Clinton, I think, captured very well when he looked at trade issues as a Democratic candidate in 1991 and 1992. I think it's pretty interesting when Governor Clinton gave his major speech on trade. He was 45 minutes late getting off the airplane, which was a [inaudible 22:17]. But it was because he rewrote in a specific manner, great preciseness, how he wanted to couch his stance on trade.

And I think what he concluded was exactly what this institute has advocated in such a serious depthful and thoughtful manner. It is reality in terms of trade and goods and capital and services moving. It does cause some dislocation and unease and anxiety in all countries. But the challenge is to harness that inevitability and make it work for people in terms of lifting their lives and lifting their standard of living. And that’s really the essence, I think, of trade agreements and the essence of the NAFTA in a very specific manner and more broadly, particularly from Mexico standpoint and from the North American platform, that I think is the real future in terms of building on the NAFTA and hopefully it would be strengthened by the passage of TPP.

Adam Posen: That’s fantastic. Thank you, Mack. I will open it up. Our colleagues have graciously consented to take a few questions on the record. But let me just go back from Mack’s remarks to Eduardo for a moment if I could.

Coming, representing, not just Mexican business but the Mexican government, the Mexican people, do you ever feel sort of frustrated with how the American popular media or popular opinion treats cross-border issues? I mean, I’m sort of giving you a soft ball, so let me put it a little differently.

What are the things that you are the things that you would like to, if you could get the right hearing, you would want to see corrected or changed in the US public discussion of economics of Mexico?

Ambassador Eduardo Medina-Mora: I am frustrated.

Adam Posen: What a shock.

Ambassador Eduardo
Medina-Mora: But I have to say that, of course, the issue being at the center, that we take each other for granted because this problem as serious as it is here, it is a serious problem in my country as well. We do not understand each other enough. And we do not actually make our assessments fact based. The fact that Mexico is the second largest US customer, that only of course, Canada buys more goods, but we will surpass Canada not because I have a black books but because of demographics. This is going to happen sooner than later.

And in that sense, it is important to go over stereotypes two facts. And to understand, for instance, you mentioned migration this morning. Yes, of course, migration has been a very important component of the bilateral relationship. But looking forward, Mexico is not today and it’s not going to be a major source of migration into the US. But this is not only because Mexico is performing better, it is essentially because of demographics.

It was stated this morning, our fertility rates dropped from 7 to 2.2 and coming down further. And in that sense, we have to see this looking forward, for instance, the border, and what is going to be the reality 20 years from today into the future and not 20 years from today into the past. I was a chief negotiator for the Border Safety Agreement back in 2002. And back then we have 5,000 border patrol officers, 4,500, deployed in the southwest border and they apprehended 1.7 million people in 2000. In 2012, we have 20,500 and they apprehended 386,000. And this is not only coming from the effectiveness, it is coming actually from the flows. And we have to distinguish the stocks and the flows. And those have two different problems. Both in many ways are US domestic issues, but the later has a more international bilateral aspect but also regional, because we have to take into account other countries in the region.

But in that sense, really if we look closely, closely to the facts and to how well integrated we are, how effectively we deal with each other, it’s easier for us to deal with you and for you to deal with us than it’s easier for you to deal with Asians, for instance. And it’s not that Asians have anything different in the sense of opportunity, but it is something that comes more naturally. And we take each other for granted. In that sense, we do not receive enough attention in terms of the challenges ahead of us.

And I think we have a fantastic opportunity to really build up this shared strategic view on the region on the shared economic space to make North America the most competitive and attractive economic area in the world.

Adam Posen: Thank you. Mack, one more for you, if I can transfer from Eduardo’s frustration to mine. I will confess that we invited representatives of 12 different US multinational companies with significant interest in Mexico;
autos, non-auto manufacturing services, to come speak. And each one had a different, but not a single one showed up today to speak.

And where Eduardo speaks, I think tellingly, about taking each other for granted in a relationship, I sometimes worry that large business in the US takes trade for granted. I mean, we’re very aware of the loud opposition, but we don’t always hear the loud chorus. I mean is there, as you look out, you mentioned the idea of going for a bipartisan deal, of showing presidential leadership, in practical terms are the things we could be calling upon or should be calling upon American business to do or am I just missing the point that they automatically will free ride and it’s only the losers who will be public?

Mack McLarty: Well, I think you’re making the point, not missing it. And I think there won’t be any ride, not only in the business community, what I would call the vital center, doesn't engage because it will be drowned out in the left and right, particularly with now the way we communicate with each other. And we all know about those forces and factors in terms of technology, in terms of cable television, and all of that. So it’s a very different environment than we even had certainly in the 90s.

So I think you make a very critical point. And it’s one, disappointing that you didn’t have more participation interest support from the business community. I think it is kind of an old standing joke, particularly in really any White House, Democratic or Republican, that the most difficult group to organize and energize is the business community. That’s just kind of a given. We were able to do that pretty well on NAFTA with Bill Daley and Bill Frenzel. And I think we had a bit of a tailwind building and the tailwind building on the Bush 41 had negotiating the agreement. It had a time-line. And here you had a centrist democratic president and the economy, was the economy stupid? That was kind of the focus. So we were able to move forward.

But these trade votes are difficult votes. And I would submit that part of the feeling in our country today goes into a point that you made, without trying to sermonize about it. But I think it’s important and I think it hurt the perception of the NAFTA. And that is the American business community, particularly major corporations, and I’ve had the privilege to be associated with a number of them, there’s this insensitivity or lack of sensitivity. If you want to call it arrogance, you can. But it has to be more sensitivity shown by businesses in how they conduct their affairs, including trade agreements, employment and so forth. That was part of the NAFTA. We’ll never close this plant--and six months later it might have been closed. That’s not the storyline you want.
So I think, Adam, if the business community doesn’t kind of get a little smarter, more engaged, more energized, you’re going to have more and more trouble of building a bipartisan consensus and really moving forward with responsible policies and that would be a sad day.

Adam Posen: Thank you for that. Let me open it up. I see one hand and I see two hands. So Barry, if you want to go to the back mic and then the gentleman with the distinguished beard at the second table.

Barry Solarz: The TPP, of course, has already-

Adam Posen: Sorry, Barry, for our viewers, could you re-identify yourself?

Barry Solarz: Barry Solarz, I represent New Corp. The TPP, of course, has already been attacked as NAFTA on steroids. And all kinds of reasons have been given today as to why the NAFTA over the last 20 years has been beneficial to all three countries. Let me posit something and I’d like to get a reaction from our two esteemed guests.

When you cut through all of these reasons and the data and what not, in terms of the insecurities that Dr. McLarty just referred to, at least in the US citizenry, might it not be more effective to build on the last point that the Ambassador made, which is that what the NAFTA has done and arguably, depending on how these arguments are negotiated, TTIP and TPP, the end result could be, hopefully will be, improving the international competitiveness of the United States and North American in competing against state capitalism, the unique brand of state capitalism that exist in China in particular.

I mean, to me that is more salient argument with a lot of the population than some of the other points that have been made today. Because while there has not been clearly a giant sucking sound vis-à-vis Mexico, I think one can make an argument that there has been somewhat of a sucking sound vis-à-vis the rise of China. So I’d be interested in your views on it.

Adam Posen: And that’s something in which we will continue to do empirical work, but please, if our guests would like to comment.

Ambassador Eduardo Medina-Mora: First of all, in terms of 20 years after, the three musketeers, it’s not the same thing. I mean, 20 years back, tweet was the sound used by a bird and cloud was an aggregation of moisture up there in the sky. And we have a different reality that we have to tackle and profit from and there is room for that. And of course, the Asian markets will grow more than any other region in the world in the next 20 years. Maybe after, from demographic dynamics, that’s going to change in favor of North America.
But in that sense, I would say that it would be unwise not to profit together from this opportunity and also from the ability to craft the agreement in a way that actually favors opportunities and capital information and trade in the most kosher sense of the word. And actually capturing these opportunities for the region, holding the pen is important.

Adam Posen: Right. And just to give Mack a moment to think. We do know, and at least anecdotally, of cases in recent years where countries have re-shored from China or East Asia to Mexico, both in response to economic conditions but also political conditions. And as Lindsay pointed out in her presentation earlier today, gravity model or not, the amount of FDI, where Mexico ranks and US FDI, is way above where Mexico ranks in global [inaudible 35:43]. I mean, there is a certain natural logic to it as you suggest. But Mack.

Mack McLarty: Three basic points: One, I think you’re framing I truly think, is very thoughtful and well done. I mean, you’re really saying we’re all 20 years older too, in addition to some of the changes that the ambassador noted. So it’s a different world. And so I think it’s only logical, just like in anything, you evolve and the NAFTA now while most of in the US that believe it’s been a strong positive in many ways feel that way, Mexico even more so. But it’s time to move on with life. And I think the North American platform of competitiveness and forth, particularly with energy, not to bugle that too much, although that too much. Although, I was in the natural gas business for a decade, so I’m a big believer in that. So I think that’s number one. That’s the way to frame it. It just it fits with contemporary reality.

Number two, the stronger we are at home, the stronger we’re going to be abroad. The more engaged in my view, we are abroad, the stronger we’re going to be at home.

And my point is we had the benefit of the economy was getting better as we were moving forward with the NAFTA. And then it really got a strong momentum behind that and we actually began to cut down the deficit, finally moving even to a surplus and employment and per capita income and so forth obviously, were moving in the right direction. My point is the more secure people feel, the more likely they are to embrace change and look outward. We’ve got just the opposite of that now, so that’s really the second point.

Thirdly, I do think again, not to overstate it, particularly in these hallowed halls here, but I do think there’s a lot of factors, including energy certainly, including the integration of the platforms, that are helping provide good opportunities in the workforce that were not the case five
years ago; there's still a lot to be done. That’s why I tried to emphasize the training programs as kind of mundane as that sounds, that’s obviously very key.

But one fact, you see Wal-Mart, which we mentioned China is a good point because Wal-Mart has been a huge importer of goods from China. I do think the imperial points are critically important. You have to make them, imports helping with per capita income. Buying power is one of those points, but that won’t win the day. At the end of the day, you have to have a broader argument. But Wal-Mart now has a by America program. It was just profiled in ABC News. It’s because manufacturing is more competitive here in the United States and they’re going to buy billions of goods. It’s going to create about a million jobs over the next five years. I think it likely will, in terms of suppliers. So you’re seeing that.

Another fact, you’re seeing automotive plants, basic manufacturing, good paying jobs, good benefits, in the Midwest and in the South, both being either begun or reopened. That’s a pretty strong side. There’s been more employment in the South in automotive than jobs lost in the Midwest. And those are middle income, upper middle income jobs with good benefits.

So I think, Adam, at the end of the day, those would be the three points I would make going forward. But I do think the framing and putting this in a different context, in a very authentic credible manner, is absolutely crucial.

Adam Posen: Terrific. The gentleman there. Jeff is going to give him the mic. Thank you, please.

Brian Dabbs: Thanks very much for speaking. I’m Brian Dabbs, with *International Trade Today*.

So in terms of North American economic integration, I wanted to ask about trade facilitation, how that plays a role in specifically, automation? So the US is trying to complete its automated and commercial environment, which is a single window portal equivalent to what Mexico currently has in place and Canada is working on a similar program.

So my question is, and I know officials from all three countries have been present for this, my question is what do you think the viability of that unified single window is in the foreseeable future and are there any kind of insurmountable hurdles that you see there and then what’s the impact potentially of that?

Ambassador Eduardo
Medina-Mora: I think it is not only viable, but it’s already committed to happen. Actually, the reality, in terms of border infrastructure and then the framework in which trade is carried out from Mexico to the US and vice versa, and of course, learning also from the experiences in the US northern border with Canada.

We have, as a good friend of mine put in one day, Former US Assistant Secretary of Commerce, we have a 21st century trade, on top of a 20th century regulatory framework, on top of a 19th century infrastructure. And we have tremendous opportunities moving forward. These systems, in terms of having the single window and integrated customs facilitation and requirements, it’s doable.

It is more so from the fact that most of the trade is carried out with companies or among companies that are very much integrated and know each other. And they are integrated within the US and Canada. They are integrated within Mexico. It’s relatively easy to arrange these in this more integrated approach.

But I think our opportunities looking forward are very clearly stated now. We have a road map for the first time in 20 years. And I think that the opportunities, in terms of customs facilitation, in terms of improvements in infrastructure, in terms of certification and recognition of standards, I think that we have tremendous opportunities looking forward if we really work into it. It is already mapped and committed among the three leaders and I think that this is achievable.

Adam Posen: Okay. Fred, I’ll let you have the last question but you’ll have to be brief, I’m afraid. Yes, it works sometimes.

Fred Bergsten: Mack’s comments reminded me of the very direct link between NAFTA and today’s Trans-Pacific Partnership. Mack will remember that the day after the Congress took the final vote on NAFTA and you guys got it through, the President arrived in Seattle for the first APEC summit. And I’ll always remember asking hi, “Suppose you had lost that vote yesterday?” He said, “I couldn’t have come.”

The flip-side was the tremendous momentum that he had coming into that and that’s where APEC agreed to achieve free trade and investment in the region by 2020, which the TPP is now emerging from. The point being, we talked about the payoffs of agreement like NAFTA going beyond just the numbers, is a tremendous momentum effect promoting what now becomes one of the biggest trade agreements of all time and that’s got to be chalked up, I think, as a big success for NAFTA on top of all the other things we’ve talked about.
Adam Posen: Question mark.

Mack McLarty: Well, Fred, you’ve given me some new material. You’ve refreshed my memory and given me some new material for a future commentary like that and I really mean that. I do think, Adam, Fred has as usual, hit on a key point. He’s absolutely right. It did give us momentum going into our first Asia Pacific meeting, very critical meeting with Japan, China, so forth, all the other players.

But the basic point that we did not mention in this discussion of NAFTA, and perhaps it’s because we are comfortable in a positive way, Eduardo, with the relationship with Canada and Mexico, maybe we’ve taken it all too much for granted. But obviously when we are unable to move forward on trade agreements in a bipartisan manner it affects US world leadership around the world. It goes way beyond just trade agreements. Now, this goes back to the framing of the question. But I think you can put that in terms of US leadership and that will resonate in Peoria, to use the President Reagan formulation here.

So I think that’s a great point and probably just exactly the positive note we need to conclude on, on what’s been a full and important day.

Adam Posen: Well, I’m going to use the chair and do one last minute before the conclusion.

Mack McLarty: That’s great. You have that prerogative.

Adam Posen: Indeed, but thank you for endorsing it. This has been a very full day and the two distinguished leaders sitting to my left I think have helped us see the vision forward, which in the broadest possible terms, but in the meaningful relevant terms. And I’m very grateful to them. I’m very grateful to the Embassy of Mexico and our colleagues there who worked very hard with us to make this happen, to our friends at the Inter-American Development Bank, to our many guests and scholars who came today.

I just want to raise one last issue. I do, and here I’m clearly just speaking for myself, not for the Institute. I do worry sometimes, like Raymond’s students, who were mentioned earlier, that if we phrase it as the people in Indiana or in Kentucky or in Michigan took one for the team, that somehow the trade people where the ones affected in a way that when Kodak shuts down because there is digital technology or when Sperry Rand shuts down because there’s word processing software, that we are in a sense demonizing trade at the same time.

And while I fully support all the efforts we talked about, about Trade Adjustment Assistance, and particularly the training, things like that, I do
worry that we’ve created a bit of a cycle where it becomes this inside game, where there’s fewer and fewer people out there on the positive side because they keep viewing trade as only this negative aspect. And the people on the negative side keep asking for more and not getting it and you end up with this weird radicalization.

Our mutual friend, Barney Frank, at one point many years ago, Fred is fond of remembering, came here and spoke about taking trade policy hostage in the left wing of the Democratic Party in order to get the Welfare State Benefits that he had been looking for. And the fact is that strategy has completely failed. We’ve managed to bollix up trade policy and not deliver the Welfare State. Neither side came out ahead.

And so I guess, taking it all back to where this conference started, I think as much as we have to play the inside baseball game and think about buying-off particular groups, I think we need leaders like you, the people in this room, and the studies done by the people presenting today, to try to fundamentally re-frame the debate. So it’s not just about buying-off the losers. It is about the positive message of this is the way the world is and this is how we take advantage of it.

Thank you all very much for joining us on a July, despite rainy day. Thanks particularly, to Ambassador McLarty, Ambassador Medina-Mora. Thanks to all my colleagues.