NIGEL SOUTHWAY
ADVOCATE / AUTHOR

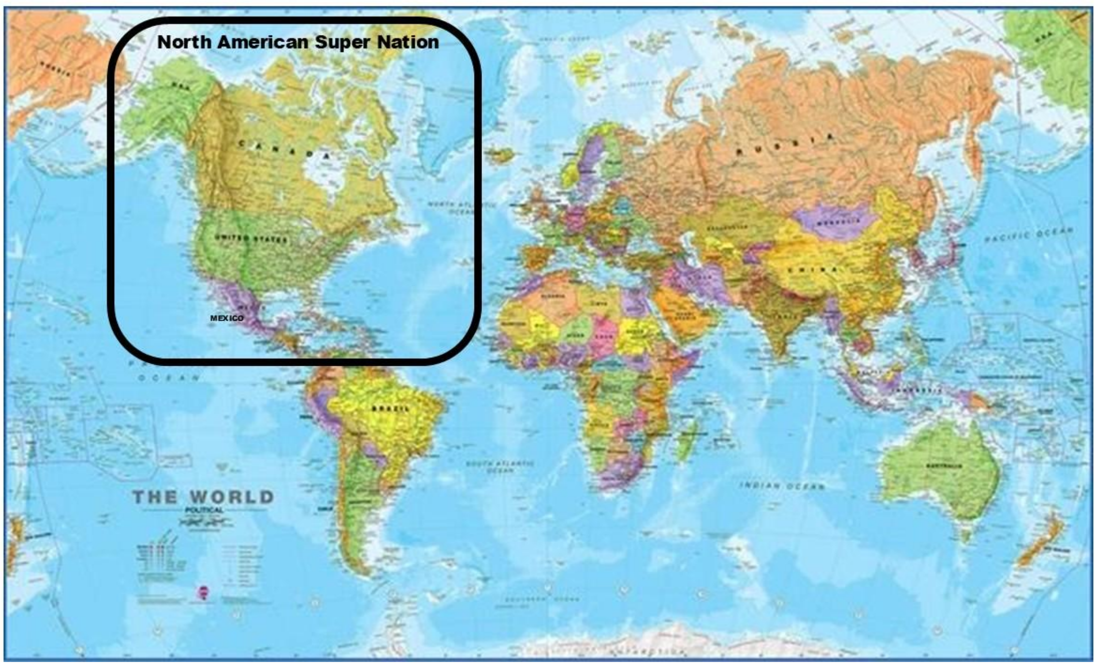
North American Trade Bloc

let's do something to ensure a collective prosperity on the North American Continent.

North Americans are wondering if we will still have a USMCA trade agreement into the future as President Trump has recently threatened to reset the US trade environment back to a "USA only" economy.

Many citizens of Canada, Mexico and the USA are hoping that their respective president or prime minister will soon sit down together and not get back up until they have agreed on a suitable fix for the significant issues adversely impacting our mutual trade and prosperity.

What follows is a detailed analysis of the situation, and what are the possible future options and outcomes, and what should be the detailed plans to construct a North American trade bloc agreement that will ensure future prosperity across the North American Continent with the best option looking to be an evolution into a North American Super-Nation.



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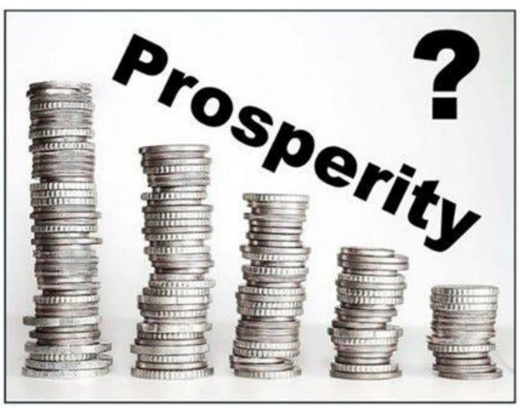
The Current Situation…

The current USMCA trade agreement is soon going to be up for review, and it does not look good for it to be ratified in its current form as President Trump has recently threatened to reset the US trade environment back to a “USA only” economy.



It’s clear that Canada and to a lesser extent Mexico look to be the net losers if the USA decides to continue to adopt a more closed border trade policy where tariffs are imposed to encourage strict USA content on what is consumed within the USA.

This would dissolve the current USMCA trade deal.

The only difference between the rest of the world trade partners in relation to this recent USA trade ideology is that Canada and Mexico share borders and significant trade with the USA.

So now that the current US administration has pushed the trade reset button let’s explain how we got to this point and the possible options for the future.

The History ….

As we will explain, the reset to a “USA only” economy is an understandable but somewhat drastic reaction to the failed western national policies of the past.

Prior to World War 2 the USA had significantly higher tariffs on most forms of international trade. But immediately after World-War 2 the USA placed national economics second to geopolitical imperatives, and lowered tariffs and some capital controls to help re-build the post war nations devasted by war, and to prevent some nations from migrating to the influence of communism.

A few decades later the economists of the day promoted the concept of neo-liberalism that pushed for all remaining national tariffs across all nations to be eliminated to start a new world order of global free trade and the mass financialization of national economies by encouraging the free flow of capital across the globe. They promised that global free trade “will make all boats rise together” with a promise to maximise prosperity across the whole global trading environment, and they promised that overall global poverty would be eliminated, and international trade would reduce wars and conflicts.

In the same timeframe global logistics technology via modular containerization for sea, rail, and road transportation enabled the growth of global supply chains via the efficient movement of physical goods.

Then the profit seeking corporations took full advantage of the huge labor cost differential between the western economies and the emerging nations and used labor arbitrage to transfer massive amounts of manufacturing capacity from the west to the rest.

In my book **Take Back Manufacturing** I explain that none of the promises of globalization have been kept. The notion of "all boats will rise together" is now a sick joke for most citizens in the Western world.

In less than one lifetime, we have experienced the destruction of our industrial sectors in Western societies, and the significant reduction of western prosperity and considerable loss of national autonomy and sovereignty.

After 40 years of these policies global trade has increased 8 times, but global wealth has only increased at best 3 times. So Global trade has been poor at wealth creation but very good at wealth transfer.

The result is that the emerging economies have significantly benefited from this trade-based wealth transfer, while wealth and prosperity in the mature western nations has flatlined or worse.

In the western nation's this uncontrolled globalization of trade and immigration and an alarmist approach to climate change has caused de-industrialization with lower wages, insecure employment and striking inequalities. It has resulted in declining national productivity and prosperity with national and citizen debt levels and social issues rising.

Yes, the process of uncontrolled globalization has reduced global poverty, but it has also added more than 2 billion under-employed people to the global workforce, who now have increased expectations for improved prosperity. Many of these people have become global migrants seeking illegal entry to mostly the western nations, with significant stress on the western nations security and social support systems.

Further, the significant adoption of global free trade has extended our supply chains and added inventory and waste to our businesses. This has forced the significant depression of interest rates that has destroyed the balance between investment and spending. All this has further reduced the value-added content of our Western economies, as well as enabling the growth in stateless corporations. All this has made it far more difficult for national governments to mange their economies.

In retrospect, we appear to have placed the ideological drive for uncontrolled global free trade ahead of common sense and sound economic principles.

Today, contrary to the past promises by those that advocated a new world order, nations are far from closer together. We have even more wars and conflict, and democracy as a political ideology has declined. Meanwhile, the ascension of new major powers, such as China and others who have benefited from the global free trade journey are clearly adopting non-democratic political models, and geopolitical tensions are increasing not decreasing.

So, it should be no surprise that the western citizen's tolerance for global free trade has evaporated.

New and future national western governments are and will be more nationalist in their policies and are getting increasingly strong support from their citizens to reverse global free trade, global multilateral rules, and all forms of immigration.

In general, once supply chains have adjusted to any change, it's very clear that the more value an economy retains the better off it becomes in terms of employment and investment. And we in the western world have all learned the hard way that the advantages of uncontrolled global free trade are vastly outweighed by its disadvantages.

Many western citizens want no more talk about "global free trade" or a "post nation state" or a "post industrialized society". They just want their nation, their economies, and their prosperity back!

New View on Trade

Many economists have traditionally been married to the religion of global free trade and free-market comparative advantage ideology, but now some economists do agree that international trade should only be undertaken if it benefits national citizens, and not to serve some blind geopolitical feel-good ideology at the expense of national prosperity.

Most new national leaders have now come to understand that international trade of any kind is not a God given right that one nation should expect or demand from another, but only a useful economic option of mostly last resort to provide resources or products or services that do not already exist in the nation. And should only be undertaken if such trade will benefit the majority of the national citizens. Further, it's become clear that long global supply chains are wasteful and duplicitous and generate an uncontrolled wealth gradient leading to wealth transfer and that past unilateral international trade deals may not support or benefit a nations citizen who vote for them.

So, the grand experiment of global free trade has failed to satisfy the majority of western nation voters, who now firmly believe such global trade is not in their economic best interests as they have seen their value adding industries declining through the outsourcing of capacity offshore. And if their nation does have resources, they have become over dependent on having to export such resources to pay for the increasing level of imports, and its now clear this situation is just not sustainable.

Further, national corporations have been allowed through the free flow of globalized trade and capital to become transnational, and the nations have lost the ability to manage them with economic controls to ensure that they treat their citizens as not only important consumers, but also as value adding employees, and supportive investors for the benefit of all concerned.

Trade tariffs at a national border will certainly be used to re-direct demand, capacity, employment, capital investment and business activity such that it is relocated within the national trade zone. Such trade tariffs will be used as a short-term strategic tool to reshore industries and rebalance trade. Some tariffs may become an ongoing control tool on certain targeted commodities to restrain ongoing imports.

This tariff activity will also generate significant revenue and may allow a reduction in internal taxation to neutralize the impact of any cost or price pressure on the citizen population. Also, the tariff revenue can be re-deployed to support the reshoring process through industrial subsidies for focused commodities or for industrial retraining and capital investment etc. Once reshoring has taken place then most of the cost of the tariff is eliminated, and only the full benefit of the increased value to the economy of reshoring is applicable. Also, if needed an export subsidy can be applied to boost export activity and add value to the national economy.

The thing to know is that a trade border tariff can be self funding if these conditions are met.

1. The purpose of the tariff is to restrict border trade.

2. The landed cost differential between the two trade zones are reasonably competitive.

3. The local economy can easily absorb the extra demand.

If these conditions are met, then the tariffs can aid reshoring of external national trade that can increase local content and also generates revenue that can be deployed to assist in that reshoring transformation…. So as said… it can be self funding.

In the same timeframe, efficiencies should be found in the public sector and excess capacity redeployed and retrained to provide capacity for producing the reshored commodities and services.

In this manner, the tariffs will be used to maximize the value-adding revenue within an economy to minimize and control imports and ensure that any remaining imports and exports can remain in better balance.

It is agreed that trade tariffs can be a zero-sum game of expensive reciprocal tit for tat tariffs, but if the economy in question has the advantage of not being significantly trade dependent due to economic size and self autonomy it can afford to close down imports by undertaking reshoring while still coping with export tariffs if they are applied. This suggests that a group of nations should form into a **trade bloc** to create the size and self autonomy necessary to operate with less sensitivity to the need for external trade.

The reshoring of industrial and business capability also makes sense to avoid new geopolitical risks and protect national security. And after the COVID experience priority will be given to such products as pharmaceuticals and medical devices, as well as key modern society foundation technologies, such as electronic devices.

However, the reshoring destination must be conducive to the reshoring journey with not only economic market size, but have the autonomy of productive capacity to service the market with capable labor skills, supportive and stable infrastructure, and affordable energy etc.

It took 30 years to destroy many local industries in the western world with the mistake of global trade, and although it will depend on product and capital investment cycles to bring them back it is hoped that the return will be in less than a decade. But it will require a combination of the business world doing what makes business sense, and smarter governments directing the correct reshoring policies that builds the correct economic environment for reshoring and maintains a sharp focus on those industries that are entitled to undertake the reshoring journey.

The business sectors in some regions that they deem are entitled to undertake reshoring are already pursuing significant reshoring plans to produce products and provide services closer to their consumers. This is largely being driven by the business world “running the numbers” that shows no real labor advantage in going offshore when traded with the added cost of long supply chains that are far more wasteful and unsustainable. Also, being closer to the consumer to offer far less delivery times with far less inventory is a far better business model.

And more recently they are anticipating the introduction of new Industry 4.0 disruptive technologies such as Smart Automation and **A**rtificial **I**ntelligence that will significantly reduce the differential landed cost of labor between onshore and offshore manufacturers.

This is why due to the correct political support and economic entitlement 85% of large corporations are undertaking a reshoring strategy that is redirecting future recapitalization and investment strategies to undertake reshoring back to North America, and this reshoring activity is doubling each year.

This reshoring journey is certainly not being enjoyed by many other western nations that in fact continue to experience de-industrialization because they have not ensured a stable economic infrastructure due to climate alarmist policies that has taken them backwards on affordable energy etc.

The New USA Trade Tactics

It is clear that President Trump fully understands and supports this new view of how trade should be done. He has clearly outlined and reinforced in the presidential inauguration address, and in other speeches, that strong economic nationalism is the new political ideology, and this will shape the economic trade environment that the new USA leadership will adopt, with the focus on the prosperity of its national citizens!

President Trump believes that there is an urgent need to reverse past trade policy mistakes and disconnect the US economy from unsecured and uncontrolled global free trade, and from unfriendly global actors.

Trump will enforce a national level trade strategy by using a true trade bloc employing significant tariffs to limit all non-essential and non-beneficial trade outside of the constructed trade bloc. Also, any beneficial exports will be encouraged, and if necessary enhanced with internal tax reductions.

It will force reshoring closer to USA consumers and mean de-globalization and the reduction of significant international trade with the USA, and it will certainly ensure that the USA will remain the largest national economy.

So, it's clear that the current USA leadership and his administration is reversing the past support for global free trade with the intention of ensuring that US business and its citizens will always come first and once the situation is right will not subscribe to the past doctrine supported by the UN of the "new global order" that considered global free trade to be a god given right to expect from another nation.

The days of the free ride of unlimited US benevolence by allowing multilateral access to the lucrative US market and its high value consumers that started immediately after WW2 and was later accelerated with global neo-liberalism and free trade is now clearly over!

The Trump driven US government trade policy has enforced national border tariffs on the rest of the world to ensure firm economic conditions for significant reshoring back to the USA to generate where practical a more localized trade and business activity.

Trump will continue to use border trade tariffs as a negotiating tool to get the attention of other trading nations and ensure solid control of external trade.

Good Policy but Poor Execution…

Many voters in the USA and some in Canada agreed with Donald Trumps policies that stated that most western nations must reduce their exposure to global trade and immigration, stop the wasteful climate emergency policies, get energy security and focus on citizen prosperity by recovering the industrial sectors so that we can get back to strong nationhood that benefits the western citizens.

Many of his initiatives are moving forward such as a reset and rework to immigration activity, the reversal of the climate NetZero mandates, and the review of government waste, but the biggest mess is the trade reset using tariffs as this policy execution has so far been very poor and leaves a heck of a lot to be desired and looks like a very confused and risky affair…….

Unfortunately, the current approach of "immediate across the board" tariffs on all trade partners is looking like a huge disaster as it may significantly destabilize the US economy such that his political, industrial and electoral support will badly suffer.

He is correct that tariffs offer a great way to localize supply chains and also fund the reshoring transition with the increased government revenue, but he should have tabled a plan that far better strategically balanced the reshoring opportunities with the supply chain challenges and risks.

The implementation plan should have been better communicated and gathered far more input from all interested parties including some local trade partners, local state governments and the business community, to achieve general agreement and support for the trade transition plan.

He should have used a lot more supply chain science and knowledge to only initially tariff the imports of the many products, commodities and resources where spare US and even USMCA capacity could easily have been ramped up without too much supply chain disruption, and where alternative North American made products already exist.

He is correct to want to renegotiate the USMCA trade agreement, but he should not have immediately tariffed Canada and Mexico, as those supply chains are significantly interconnected across the three nations, and high economic dependency exists in many US states that demands stability across the USMCA supply chains.

He must be made to realize that global supply chains have been built over the last 35 years and many of them cannot suddenly be reversed or duplicated in a matter of weeks or even months. It takes time to decouple from existing global suppliers and finance and build new local supply capacity.

What could work is aggressive but realistic deadlines to start phased in tariff action to allow the reshoring journey to be undertaken without so much supply chain disruption, but all this sudden knee jerk reaction and on-again-off-again tariff action has confused the industrial and financial markets and allowed Trumps political enemies who have been warning about Trumps impetus approach to just be able to say…. I told you so!

So, lets hope his execution process improves so that we can still get the benefit of the new trade direction.

North American Trade Outlook so far….

It is very unclear how the existing North American USMCA onshore free trade zone that includes the USA, Canada and Mexico will fit into Trumps new trade direction into the future.

The question for Trump is will the USA be better off within a US border tariffed trade bloc or will a larger trade bloc that includes some or all of the prior USMCA region offer better economic and geographical autonomy including continental resources, border security and defence.

No amount of "elbows up" counter tariffing by Canada and Mexico is going to make much difference as a counter tariff just makes the trade pain even worse for those wanting to trade.

Both Canada and Mexico have enjoyed until now a charmed "double life" of advantageous free trade with the USA with the option to also access global free trade markets.

Although local content rules was supposed to be managed by the USMCA agreement this "double life" scenario has allowed a "pass-through" effect of products and certainly materials entering the USMCA free trade zone from players outside of that zone without local value adding content, and this practice has mostly disadvantaged the USMCA participants.

So, the USMCA has not operated as a true trade bloc with the trade security of strict and enforced local content but has indirectly allowed the rest of the world a cheap back door ticket to the North American market.

Trump is also correct that in principle the USA does not need both Canada's and Mexico's value adding capacity on most trade items, with only a few exceptions. It's also true that the current continental cross border supply chains are far from optimized and highly wasteful and would benefit from a productivity consolidation and rationalization that due to economy of scale would in the case of Canada relocate mostly south of the border or in the case of Mexico migrate capacity to the only slightly less cost effective southern states of the US.

Canada does have some leverage with resource-based trade but remains trapped with these resources mostly still in the ground, and with scarce capital to extract them, and weak infrastructure to transport them to any future customers. Then, we must add the crazy self-inflicted social agreements, rules and regulations that has always ensured this has been the outcome for many decades.

Such outcomes have made it painfully clear that Canada's federal and local political systems are ineffective, wasteful and unproductive and have forgotten how to get anything done. The nation suffers from a critical mass of citizens that appear disinterested in visioning and committing to any invested effort to undertake a national future for economic success. Most appear far more interested in over liberalized social issues that mostly don't pay the rent but clearly get in the way of economic success.

Canada has no cost advantage compared to the US, and although some exceptions exist, most business face lower productivity and higher operating costs if they remain in Canada. So, the tariffs are a clear signal for businesses to move operations and investments south of the border to join a market that is ten times the size.

Canada's only intrinsic advantage is its abundance of natural resources and raw materials that could be farmed, fished, mined and extracted.

Canada has enjoyed a modern and competitive workforce, but in many sectors, this has not been sustained and is diminishing as the existing skillset retires. Plus, new hi-skill-set workers are mobile and could mostly relocate south for a better career.

Although some need for recapitalization may restrict rapid relocation of capacity from Canada to the USA most of the existing Canadian industries could be relocated into the existing US operations and such consolidation will probably produce operating savings. Such relocations would also reduce the cost of cross border supply chain waste.

It's also clear based on these economic dynamics that irrespective of how much Canadian government funds are used to encourage local new technology startups they will eventually seek a closer alignment with the US economy.

Canada may be able to offset some of the value of the trade lost by US tariffs by trading offshore with both the EU and Asia, but this strategy has already been exercised and holds many drawbacks, including the increasing cost and logistical disadvantage of long supply chains. Other than raw resource and energy products that can leverage global demand its very doubtful this long-shoring trade strategy can yield a sustainable economic environment that will replace the lost value-added trade enjoyed with the USA.

Canada is also incapable of defending, protecting and managing its borders and being an equal partner in this regard with its southern neighbor.

Mexico has many of the same issues as Canada but still enjoys a somewhat competitive labor rate advantage with the US, but this is diminishing. Also, they do have significant recently invested US capital in terms of manufacturing facilities that may have to be duplicated in the USA.

Also, Mexico enjoys a growth economy and a rapidly expanding consumer base that makes it equitable for US businesses to retain capacity on the Mexico side of the border to service that growth.

Mexico is improving, but its still considered a poorly managed nation with weak rule of law and social instability and suffers from considerable economic corruption due to the existence of unlawful cartels that promote illegal transfer of harmful drugs to its national neighbors. But from a trade point of view enjoys highly integrated supply chains with the US.

The Future Trade Options…

Based on the current situation here are the following future trade options between the USA, Canada, and Mexico…

Option 1. Dissolve USMCA and enforce strong US border tariffs.

Currently the US leadership feels “ripped off” by both Canada and Mexico as both Mexico and Canada have a total Trade with the USA at 2.3% of US GDP or nearly $ 600B. They have a positive trade advantage over the USA of about $250B or 1% of US GDP. The US argues that this is a trade imbalance of more than 40% of the export value of the total USMCA trade activity with the USA.

USMCA TRADE	$B USD				% USMCA				% US GDP			% Country GDP		
2025	US	Can	Mex	TOTAL USMCA	% TOTAL USMCA	USMCA US	USMCA Can	USMCA Mex	US	Can	Mex	US	Can	Mex
GDP	25744	2160	1463	**29367**	100	87.7%	7.4%	5.0%	100	8.4%	5.7%	100	100	100
Foreign Import	2246	334	228	2808	9.6%	7.6%	1.1%	0.8%	8.7%	1.3%	0.9%	8.7%	15.5%	15.6%
Foreign Exports	1345	163	106	1614	5.5%	4.6%	0.6%	0.4%	5.2%	0.6%	0.4%	5.2%	7.5%	7.2%
Mex Imports	421	22		443	1.5%	1.4%	0.1%		1.6%	0.1%		1.6%	1.0%	
Mex Export	294	8		302	1.0%	1.0%	0.03%		1.1%	0.0%		1.1%	0.4%	
Can Imports	438		7	445	1.5%	1.49%		0.02%	1.7%		0.03%	1.7%		0.5%
Can Exports	308		22	330	1.1%	1.0%		0.1%	1.2%		0.1%	1.2%		1.5%
US Imports		308	294	602	2.0%		1.0%	1.0%		1.2%	1.1%		14.3%	20.1%
US Exports		438	421	859	2.9%		1.5%	1.4%		1.7%	1.6%		20.3%	28.8%
USMCA Imports	859	330	301	1490	5.1%				3.3%	1.3%	1.2%	3.3%	15.3%	20.6%
USMCA Exports	602	446	443	1491	5.1%				2.3%	1.7%	1.7%	**2.3%**	**20.6%**	**30.3%**
Balance	**-257**	**116**	**142**	1	0.0%				**-1.0%**	**0.5%**	**0.6%**	**-1.0%**	**5.4%**	**9.7%**
Foreign Import	2246	334	228	**2808**	**9.6%**				8.7%	1.3%	0.9%	8.7%	15.5%	15.6%
Foreign Exports	1345	163	106	1614	**5.5%**				5.2%	0.6%	0.4%	5.2%	7.5%	7.2%
Balance	**-901**	**-171**	**-122**	**-1194**	**-4.1%**				**-3.5%**	**-0.7%**	**-0.5%**	**-3.5%**	**-7.9%**	**-8.3%**
TOTAL Imports	3105	664	529	4298	14.6%				12.1%	2.6%	2.05%	12.1%	30.7%	36.2%
TOTAL Exports	1947	609	549	3105	10.6%				7.6%	2.4%	2.13%	7.6%	28.2%	37.5%
Balance	**-1158**	**-55**	**20**	-1193	-4.1%				**-4.5%**	**-0.2%**	**0.08%**	**-4.5%**	**-2.5%**	**1.4%**

The Canadians who have a positive trade balance of about $130B with the USA argue that almost all of their imbalance is crude oil products that the USA needs so it can blend it with its own oil extraction products. And it’s argued that the US gets the Canadian crude at a reduced below market price and also benefits from onshore pipeline supply rather than import from offshore, and then greatly benefits from the significant profits when the crude is refined in the USA.

The Mexican argument is that although they do not have balanced trade, they provide a huge low-cost labor benefit to the US consumers who otherwise would pay more for products. Also, they argue they are a growth market for North American products.

Even with these explanations the US leadership is considering dissolving the USMCA agreement and moving from free trade to tariffs to reduce trade with Canada and Mexico to maximize the economic value of products back within the USA rather than sharing it with its adjacent neighbors.

Some industrial sectors of the US economy could benefit from more localized and consolidated supply chains and could utilize existing US supply chain capability or economically develop expansions.

Also, due to the huge economic size differential of the three economies (Canada about 8% of the USA and Mexico about 6%) the USA will have a significant advantage in gaining back economic value due to economies of scale and purchasing power. And many industry experts believe that if undertaken in a coordinated manner and after a full capital cycle the USA market will not be overly disrupted, and in some cases does not need the non-USA capacity. And in some ways the free trade environment has created duplicity and long and complex supply chains that currently cross borders many times, and that a forced reset may drive an opportunity for more rationalization and integration and the reduction of supply chain costs.

In certain industry sectors Canada and Mexico can show long term value in maintaining the trade relationship, but for many trade areas they only have a short-term advantage, as the USA could eventually develop local stateside alternatives.

It is not clear if Canada or Mexico will have enough national demand in some industrial sectors to justify the development of local “branch plants” to service their own local markets, or if they will just be forced to import finished products from the USA to serve their local demand.

For both Canada and Mexico, they will both lose double digit trade levels that will be extremely hard to replace via other trade relationships.

Let’s look at some key industry sectors…

The Canadian auto assembly and feeder plants are part of an over complex cross-border supply chain activity that just adds waste and cost. So, if US / Canada border tariffs were applied almost all of the Canadian auto industry would migrate south over time.

The Mexican auto assembly and feeder plants are also part of an over complex cross-border supply chain activity that just adds waste and cost. But Mexican capacity has a cost advantage and growth in the Mexican auto consumer market would mitigate any interest in a massive relocation back stateside.

The US believes that the US softwood lumber industry could be easily expanded to avoid most of the need for Canadian capacity that could then be tariffed and the Canadian capacity only accessed for peak demands and specialty lumber types not available in the US.

Canada currently has heavy crude oil products that the USA needs so it can blend it with its own oil extraction products, and this will probably continue. But it remains to be seen how the addition of the Venezuela oil fields over the next 2 to 5 years with the proximity via a short tanker ride across the Gulf of America to southern US refineries will impact the competitiveness of the Canadian oil resources for the US market. This is further signal and incentive for Canada to build a capability to service more offshore markets.

Some Canadian industries such as furniture and aluminum refining may not be displaced by leveraging local resources or speciality material supply chains or significant sunk capital or labor skills or can benefit by needing manufacturing and services close to the consumer.

The food industries where a trade-off does exist between local produce and the cost of transporting perishable goods may drive some localized supply chains closer to the consumers.

Most Hi-tech industries will probably not be a strategic trade advantage for either Canada or Mexico as they will need USA support and large amounts of capital. Also, for many reasons the US would rather have these activities on their side of the border. Any talent available would easily relocate to follow the jobs and opportunities.

The Outlook & Risks.

If the USMCA were dissolved, and border tariffs installed, and free trade ceased, massive trade isolation would take place across the North American Continent. This would force Canada and Mexico to globalize offshore a larger part of their trade activities. And this will definitely take those nations back to the pitfalls of duplicitous trade activities, long supply chains, added business inventory and costs, increased pollution, labor arbitrage and job loss, wealth transfer and lower prosperity.

Expert Opinion.

Besides some of the trade advantages enjoyed by Canada and Mexico as listed above, many economists caution that the USMCA environment after many years of free trade is now heavily integrated, and any significant supply chain resets although technically possible could lead to massive economic disruption. Some US states are significantly dependent on the Canada & Mexico trade activity, *and this is probably the best argument for keeping the USMCA and not pursuing this option.*

Option 2. Keep USMCA and Re-negotiate as USMCA 2.0.

Trump is correct that there is a $260M annual trade imbalance that is collectively in Canada's & Mexico's favor.

He is also correct that it has been mostly a disadvantage to the USA in sharing economic activity with these two other adjacent nations who are currently not pulling their weight in the maintenance of the continental borders and its defense.

He is also correct that he has the upper hand in any negotiation as the USA needs Canada and Mexico far less than Canada and Mexico needs the USA. The dependency on USMCA trade is far higher as a percentage of their total economies for both Canada (15.3%) and Mexico (20.6%) compared to the USA (3.3%) Also, exports to the USA is about 75% of Canada's and Mexico's total exports.

The main and only significant argument to avoid any radical change to the existing USMCA trading relationship is that all three economies are now heavily intertwined and integrated after more than 40 years of some form of free trade between Canada and the USA and 30 years for Mexico and the USA. Therefore, any border tariffs will be highly disruptive to all three economies, and certainly a disaster for Canada and Mexico.

Mexico correctly argues that they have provided a low-cost-labor capacity for some manufactured goods without the cost of long global supply chains, and as the Mexican economy prospers it will provide a new consumer growth opportunity that is clearly an advantage to the USA economy.

The far more emotional argument is from Canada, who has been part of the post WW2 western alliance where the USA was always the over-benevolent hegemony. So, nations like Canada and most of western Europe have become over-dependent and accustomed to past USA benevolence and are deeply affronted that such benevolence is now being withdrawn. They have been pathological multilateralists and so firmly believe that such action is just not what a long-term friend does to another.

It is extremely doubtful based on his recent positioning that Trump will care or accept any such emotional arguments. But he will be highly cognizant of how any trade changes may disrupt the US economy.

If Trump does decide to retain some of the spirit and scope of the old USMCA agreement, he will firmly demand that the following issues and opportunities be fully reviewed and settled in the negotiation process for "USMCA 2.0".

Canada / USA Trade Issues & Opportunities?

He will probably demand that Canadian supply management restrictions on dairy and poultry that is still restricting the USA farmers full access to the Canadian market be eliminated. It's very unlikely that The USA will agree to the Continuance of the Canadian supply management process in the next USMCA negotiation.

Softwood lumber trade has been an ongoing battle between Canada and the USA, and this will certainly be on the agenda for both negotiating teams and its clear this must be resolved.

Digital media sharing agreements will need to be re-negotiated as Canada had placed restrictions on maintaining Canadian content and forces US media to reimburse Canadian sources and this needs clarity and settlement.

Canadian Fossil fuel resources certainly offer the USA an advantage to buy from Canada onshore rather than go offshore, but Canada will want to re-negotiate a more competitive price and may ask for mutual investment to improve the pipeline infrastructure to support product delivery.

The Canadian mineral resources and mining sector is a strategic trade opportunity as the mining and processing of many minerals can be expanded to support the reshoring of the North American electronics and hi-tech industries. This can be a future strategic trade advantage for Canada to use in the negotiations, as it can offset the need for the USA to import such resources from less friendly actors over far longer supply chains.

The Canadian nuclear industrial capability is a future trade opportunity as it can greatly assist the USA in moving more of its electrical energy generation to nuclear power more rapidly.

Canada has surplus electrical energy that can be traded in the short to medium term to support the reshoring journey until more localized energy capability is built up and comes online in the USA.

The Canadian agricultural and fishing sectors offer significant capacity that currently supports the USA food sectors, and which enjoys a free trade environment.

Canada has a large advantage of fresh water supplies that can significantly benefit the USA, and this will certainly be part of the negotiations.

Mexico / USA Issues & Opportunities?

It's clear that the USA will want Mexico to significantly change its non-USMCA trade practices such as its open trade relationship with China to avoid Mexico being a back door for Chinese products. So, the US trade strategy with Mexico will be more about Mexico following a stronger trade bloc approach to ensure Mexico eliminates "pass- through" trade from outside the trade bloc.

North American Continental support resolution.

It must now be clear to Canada and Mexico that the "free lunch" of the USMCA relationship is now over.

They must except that from the USA's vantage point there has been a lot of "freeloading" and "bad neighboring" on the part of Canada and Mexico in the past, and this must be corrected if any free trade relationship is to work into the future.

This will demand mutual responsibility for security of the US/Mexico and the US/Canada borders in terms of drugs, Immigration, illegal human traffic and weapons etc.

It's also clear that the US will demand a plan to de-cartel the Mexican social and economic environment.

Also, a far higher level of partner contribution to North American Continental defence of east & west coastlines, and the north arctic.

The US will probably also demand that Mexico far better control its own borders to stop the migrant caravan effects at the US border including the southern Mexico border with South America that allows a significant free flow of migrant traffic.

It's clear that future responsibilities must be planned and budgeted with measurements and goals set to the satisfaction of all partners.

North American infrastructure projects will also need to be shared across the trade partners. This will include less focus on building international ports, unless they support value adding exports, and more about supporting the reshoring journey with internal infrastructure improvement of north-south ground and air transportation, and improvements in communication systems, and the capitalization of key industries etc.

Supply- Chain Rationalization & Efficiency.

In USMCA 2.0 it's clear that origin content will be much more strictly managed and will encourage local onshore supply chains.

A proposed new requirement for all USMCA partners will be to ensure that trade regulations include measurements and penalties to reduce the complexity and waste in supply chains. This to not only drive down the USMCA dependency on foreign imports, but to keep all on shore supply chains as short and localized as practical. Their length, excess transactions and multiple border crossings have grown over time. In some ways free trade, both onshore and offshore, has allowed the increase in supply chain complexity which has added costs to the consumer, as well as increased pollution, and the need for more national infrastructure such as border controls.

Expert Opinion.

Many experts believe that the USMCA should continue…. but also agree that Trump will demand that his many concerns must be addressed through what looks like being a very difficult negotiation process.

Option 3. Construct a "Continental- Super-Nation" that is a "true trade bloc".

Due to the proximity and the opportunities mentioned above between the three North American continental nations it makes sense for all three economies to operate as a true trade bloc.

Many of us believe this is the best option and has a lot of merit, and worth significant review, but it does imply that the participating nations may have to relinquish some perceived national sovereignty, and certainly economic and trade policy.

It would mean that effectively all 3 nations would be far more aligned and integrated on trade, border control, defence, and even federal laws, and in some manner would eventually operate as a **"Continental- Super-Nation".**

The new **"Continental- Super-Nation"** would operate as a free-market trade zone internally, but as a localized and integrated trade bloc externally.

All imports external to the three trade bloc partners would be heavily and universally tariffed to either retain or force reshoring of a significant amount of trade value back into the Super Nation trade bloc.

This would set a goal to minimize the need for imports into the trade bloc and so maximise the value adding contribution to the trade bloc members. And import tariffs will be applied to any imports external to the trade bloc.

If all trade bloc members are mutually unable to provide such products or services from within their mutual borders due to non-availability of materials or competitive technologies, then imports will be agreed and allowed in the short term by a trade bloc steering team, but a joint plan will be developed across the trade bloc partners to if at all practical in the future inshore such a capability through either local product or service development, or by a franchise deal to localize product production and supply chain with the assistance of an external trading partner/s who will benefit from exclusive access to the trade bloc consumers. This type of planning will ensure that in the long term the value adding contribution to the trade bloc is maximised.

Inside the trade bloc borders a freer trade approach will exist with a regionalized trade ideology enforced to minimize the waste of long supply chains or internal border crossings between trade bloc nations.

The trade bloc policies will embrace and encourage the trade bloc partners to export commodities or services that can be provided competitively on a global basis but provided they are in excess of mutual internal economic consumption. This will maximise the utilization of all available capacity of the industrial sectors of the trade bloc partners involved.

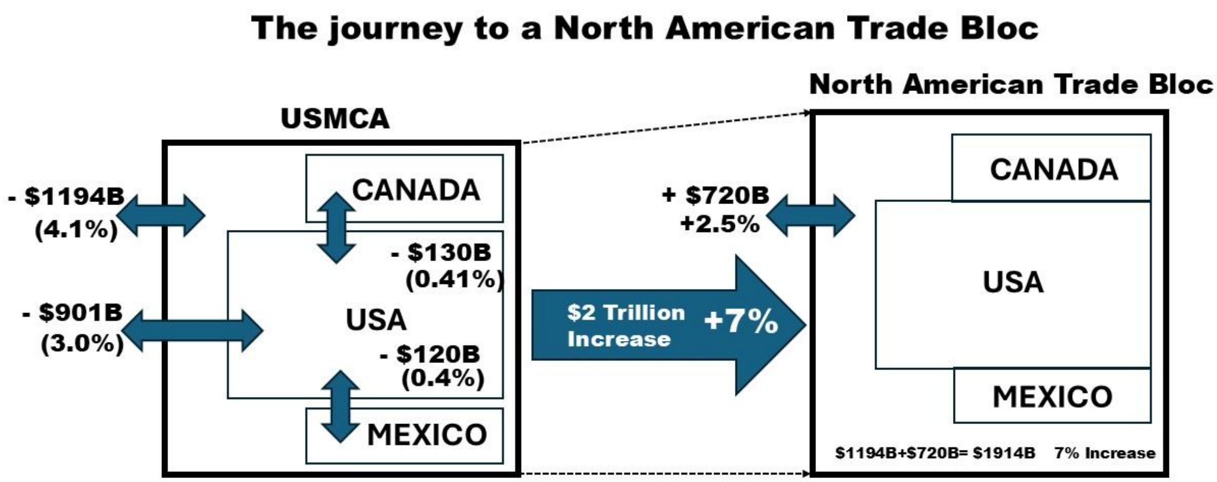
Trade bloc partners may individually operate specific national trade policies that may differ between trade bloc partners but will be jointly agreed by all partners of the trade bloc. So, in this manner the trade bloc partners will govern their economies as if they were one national entity, but under the concurrence of all trade bloc members.

In some manner this “Continental-Super-Nation” may be considered a lot like Trumps idea of a 51st state he had suggested for Canada, but this concept must be better discussed and understood as more of a Super-Nation approach toward mainly trade policies.

As we implement this new super nation we must ensure we avoid the mistakes of past attempts at “Super Economies” such as the many mistakes made by the over bureaucracy of the EU, and the lack of controls enforced in NAFTA and the USMCA, and certainly the mistakes of the uncontrolled unilateral global free trade agreements.

The Significant Benefits

The “Continental-Super-Nation” offers a HUGE opportunity to maximise local economic value for the trade bloc partners.



Currently, foreign imports across the USMCA trade bloc partners are about $2.8 Trillion and is almost 10% of combined USMCA GDP with a total negative trade gap of about 4% of GDP or about $1.2 trillion.

It is estimated that if the partners of this Super Nation worked together the USMCA foreign imports of $2.8 Trillion could be reduced by 80% to $560B, through coordinated reshoring.

Clearly some of these foreign imports may be difficult to immediately reshore as they may contain materials and components that are probably not currently available within the USMCA supply chain, but with careful review and with substitutions or resource and capacity development most of this trade value could be eventually reshored across the USMCA partners.

Even with this massive import reduction the USMCA foreign exports worth about $1.6 Trillion would only reduce by 20% to $1280B as they are energy resources, food materials and technology products difficult for the foreign nations to procure elsewhere, or if necessary, these exports could be protected with export subsidies.

This journey toward a North American trade bloc would facilitate a massive trade reset that would improve the overall trade imbalance from a negative trade gap of almost $1.2 trillion to a positive trade gap of $720B ($1280- $560B). This would increase the overall trade bloc GDP by almost 7% and would put almost $2 Trillion of more value adding GDP back into trade bloc economies, and this would constitute a massive opportunity to increase economic value across all trade bloc partners.

This trade bloc activity would not constrain the three trade partners from increasing exports to foreign markets provided it did not jeopardize any capacity and availability in local trade bloc supply chains.

Some special trade rules may need to be applied to certain commodities from certain non-trade bloc nations, but these situations would be pre-agreed between the trade bloc partners.

However, this trade bloc approach would certainly require the discontinuance or significant changes to many duplicitous multilateral trade agreements with nations outside the trade bloc.

In the past these duplicitous multilateral trade agreements has encouraged unmanaged foreign imports and increased trade imbalance across all three USMCA partners by $1.2 Trillion that has been a strong contributor to reduced prosperity within the USMCA and deserved to be discontinued.

This "Continental-Super-Nation" trade bloc reshoring approach besides putting prosperity and growth opportunity back into the hands of its citizens, would also reduce the massive waste in the existing global supply chains and reduce supply chain inventories that have been a contributor to global level capital entrapment that has made it much more difficult to increase interest rates to spur investment activity.

The "Continental-Super-Nation" would also reduce the geo-political risk of exposing the North American economies to unfriendly actors.

It's worth mentioning that this 7% ($2 Trillion) trade bloc advantage makes the current Canada and Mexico trade deficit of $250 Billion that Trump is upset about look like very small pocket change in comparison.

Collectively as a "Continental-Super-Nation" the participants would be able to leverage a wider range of growing climates, a competitive labor base, technology, skills and capital, and all the resources needed to have a thriving prosperous trade bloc economy.

Best Trade Option for All"

It's clear that **Option 3** that will construct a "North American Super-Nation" operating as a "trade bloc" is the best option, and can offer far better continent-wide border security, defence and economic autonomy. Such a trade bloc would add far more value to national citizens so that collectively they can have the ability to farm, fish, mine, extract and make almost everything they consume that will maximise local capacity and will minimize imports and the need for exports to balance such imports.

This larger economic autonomy will improve economic control, security and prosperity for all.

Together …. we can be strong.

Our all three nations of North America (USA Canada and Mexico) already significantly share trade and industrial capacity due to prior trade relationships, and we must all realize that collectively we have a lot to offer each other and have much more in common, although there are some clear differences.

It's very clear that due to significant differences in the economies and wealth gradients that we will need three separate but fully integrated and compatible trade bloc agreements, one between USA and Canada, a separate agreement for USA and Mexico, and maybe also one for Canada and Mexico.

The USA and Canada have very similar economies, with an almost balanced wealth gradient between our nations. This is not true between Mexico and the USA and Canada and so some trade structure details may have to be different across the 3 trade agreements.

Although sometimes debated, we do have similar cultures and some commonality of language and the same range of religions with shared values of family and social norms. We all wish for a fear free society supported by the rule of law and an expectation of being democratically governed to maintain human freedoms and independence to thrive, but with an adequate social safety net for all our citizens.

Also, we share very similar challenges as westernized nations with similar prosperity issues to solve using similar democratic mechanisms of government.

We have Local and shared borders, waterways, and coastlines, and also a full range of climates and natural habitats, and a population with a common love of nature and its sustenance.

Collectively we can have the ability to farm, fish, mine, extract and make almost everything we consume that can maximise our mutual prosperity.

We have the ability as a team to be almost autonomous economically as we don't need to import much that is not already on our land, under our feet or around our shores and which can fully support our economy if we focus our abundant capital capability and continue to develop and provide a capable workforce across many disciplines and skills in a population that is highly educated and supported via integrated educational programmes well supported with our advanced learning institutions.

Although it needs ongoing attention, we have adequate technological development capability to continue to enhance our prosperity and continuously improve our citizens standard of living and health.

We have a full range of necessary minerals and energy resources under our feet to support an energy system that can be low cost reliable and abundant and we have all the ingredients and knowhow to build and support nuclear power that promises to be the final solution for our energy needs to power a fully functional modern industrial society.

We have extensive farmland and farming capability that can support the needs of our whole population.

We have between us ample Forests to supply timber products and although not evenly geographically distributed significant and ample sources of fresh water.

Although it now needs a significant reset, we have used immigration in the past to maintain and enrich our populations such that just now compared to other nations and regions of the world we have a much more balanced demographics of citizen age to support future economic capacity.

We have armed forces with a proud history of mutual collaboration with a strong ability to defend our borders and seaways as well as support our international neighbors in this regard.

New Operating Conditions

Here are some Operating conditions that are certainly going to be asked for and should be considered.

The first thing is that it must become a North American continental trade bloc agreement that will be a far different approach than the current loosely followed USMCA free trade zone.

A true trade bloc will construct a workable plan to unilaterally tariff trade from outside the trade bloc zone.

Imports must be minimised so that duplicitous trade does not exist and only trade that is unable to be currently on shored will be allowed and any such undesirable trade will be tariffed to drive the support for a future offshoring activity and eliminate the need for such imports in the future.

Such tariffs will be agreed by the trade bloc zone partners with the intent of minimizing any external trade such that maximum value is retained within the trade bloc zone with the only exceptions being materials or products that cannot be provided within the trade bloc zone. Currently much duplication of imports and external trade agreements exist with no plans undertaken to reshore such trade back within the trade bloc zone. In general, longer global supply chains need to be discouraged by tariffs to maximise the value and sovereignty and autonomy and independence of the total trade bloc zone.

Also, any trade that is imported must be continuously reviewed to ensure the opportunity to have it reshored over time for the benefit of one or more of the trade bloc partners. It's clear that reducing supply chains and localizing them and removing duplicate and unnecessary supply loops must be part of that review process and placed on a trade bloc watch list to ensure corrective action is undertaken.

Trade will be a free as possible between bloc partners, but supply chain distance and border crossing will be discouraged to maximise productivity and reduce waste.

Some of the difficult trade-offs will be how raw resources of oil and lumber and grown goods will be distributed and shared to maximise productivity and reduce supply chain waste. There will be tough questions about where capital will be deployed for each business sector that can maximise the effectiveness of these industries yet better manages supply chain waste and shares the wealth between the trade bloc nations.

More efficiency and effectiveness must be created by the standardization of products, and product and process safety processes across the trade bloc, and also across states and provinces that still need much harmonization and standardization for the benefit of a true free trade approach. This must also apply to professional and skill certifications. All product, process and legislative standards and specifications must be harmonized to create both free trade and eliminate unneeded bureaucracy.

National policies that may have a direct or indirect impact on trade must be fully aligned or pre-agreed such as climate change policies, immigration polices, capital investment policies, industrial and business taxation policies.

Transnational corporations will be taxed or levied if they are not benefiting the partner nations by participating in the cost of having access to the trade bloc consumers and supply chains.

The focus must be on energy policies that provide the most reliable, affordable, and most abundant energy to support industry and citizen prosperity across the whole trade bloc.

Immigration across and between the partners will be strictly controlled in terms of capacity/employment.

Employment training will be undertaken as part of any unemployment payment and national service for youth especially if they are deemed under employed will be enforced.

The increased demand for all forms of labor in the private sector will be supported by the reduction in the employment in the public services that will be both trimmed and improved via productivity.

All defence spending will stay within the trade bloc and national security will drive localized supply.

Currently many international and unilateral trade agreements exist between any one of the members and other nations that will confuse the intent of a continental trade bloc, and these must be terminated.

Also, duplication of political efforts within the trade bloc zone must be discouraged and better aligned.

The 51st State comments….

It's clear based on the trade history that the USA will want to follow a nation-centric agenda with other trade partners whatever the political stripes in power.

However, Trump has used words like " join as a 51st state" in relation to Canada, that may provide some substance for a discussion about a "**North American Super-Nation"** So, its clear from these comments that Trump and his administration under certain conditions may still entertain Canada and Mexico becoming a much more integrated part of an economically self-sufficient and secure "**North American Super-Nation"** that will operate as a true localized trade bloc that can generate strong prosperity for the mutual benefit of all its citizens.

So, it appears worthwhile for Canada and Mexico to approach Trump and call him out on his 51st state comments and at least listen and see where that deal could go.

The alternative for Canada and Mexico is a dire journey of having to rejoin and be dependent upon a now broken and increasingly unstable and unrewarding global trade environment that they are economically, structurally, culturally, financially, and emotionally unprepared to participate in successfully.

Canada's prime minister Mark Carney has made Canada's precarious position far worse, as his recent trade deals made with China against US trade sanctions, and his presentation at the 2026 WEF session that disrespected the USA approach to trade, was far from constructive toward pursuing the best alternatives for Canada with the USA.

At the WEF Carney implied that such a localized trade bloc agreement with the USA is both distasteful and impossible and that he is now pursuing a direction to take Canada backwards into the significant instability, impracticality and fragmentation of the global trade environment that he admits is already broken. And this activity from a leader that was voted into power to stabilize the existing and well integrated USMCA type agreement, not bad-mouth it and walk away in completely the opposite direction.

Also, any political leader that has become tainted with the past UN multilateral initiatives, the WEF globalized agenda, and the climate emergency rhetoric, will certainly struggle to accept and affiliate with the latest U.S. policies.

Summary & Final Comments

We are witnessing political change in many western governments that are moving toward a nation-centric leadership. Trump's re-election in the USA is a prime example of the change underway.

Currently, an increasing portion of citizens in most western nations are disgruntled with declining prosperity and free trade globalization that has killed local industries and value-adding jobs. They are also reducing their commitment to climate change mitigation that is damaging the cost of living. They are strongly questioning uncontrolled immigration that is overwhelming both social services and housing.

Many now believe that the unrestrained globalization and the uncontrolled financialization practiced so far in western economies has been the wrong direction as it has weakened national sovereignty, security and prosperity.

Also, long global supply chains have increased the sensitivity to systemic swings in economic demand and financial stability, such that supporting a globalized economy will be much more difficult to sustain.

It has also made some national economies over-dependent for a range of essential products and services on global actors that may not always have their best interests in mind.

Leading economists are now suggesting a major reorientation from globalism, consumerism, and financialization, toward an economic-policy framework that is rooted in localism, production and work.

All of this will further encourage deglobalization or regionalization of supply chains.

It will demand the need to Take Back Manufacturing within these localized trade blocs to create far more balanced and stable national economies that are highly sustainable and secure.

It's now clear that the world is not ready for a new world order or being dependent on the concept of the global village, or any other form of multilateralism, internationalism, cosmopolitanism or globalism.

For these reasons sensible nations will organize into autonomous localized trade blocs and reshore products and services to gain back as much resource and energy independence as possible. As mentioned already, these trade blocs must operate far differently than before, with no duplicitous multilateral trading agreements outside the trade bloc. Trade and economic capacity must, as much as practical be contained within the trade bloc through border tariffs and other trade controls.

It's clear that the USA is now always going to be aligned with a nation-centric agenda whatever the political stripes in power, and its close neighbors (Canada and Mexico) must find a way to facilitate and encourage the satisfactory outcome of a "North American Super-Nation" operating as a "trade bloc" with associated policy agreements, with far reaching commitments and measurable goals, so that it will be lasting and binding, and will maximise the freedom, safety, and prosperity of the citizens of the "North American Super-Nation".

The poor alternative for Canada and Mexico is a dire journey of having to rejoin an increasingly unstable and unrewarding global trade environment that they are economically, structurally, culturally, financially, and emotionally unprepared to undertake. They will need leaders that can transition away from the now dead global order that worshipped the multilateral global free-market system that was followed since the end of the Second World War.

Although Trump has upset many by saying Canada should become the 51st US state he is technically correct that to make this North American Super-Nation work all three trade partners will need to put some national sovereignty aside and undertake a shared responsibility for the economy, maintenance, security and defence of the overall North American continent. And it will also take far more alignment of politics, finances, laws and operating social rules. And it will demand a far more common culture of mutual teamwork and respect that needs to be significantly rebuilt.

So its time for us North Americans to stop pandering to the virtue signaling hollow ring of national sovereignty, and get far more practical, and far less emotional, and come to realize that it is worthwhile and also very interesting to work together and see where the concepts of a North-American-super-nation could go, and how it could be structured, rather than continue to act like pompous spoiled neighbors that are not prepared to consider all the options that may be good for us all into the future.

It's understandable that this outlook may be a hard pill for those concerned about national sovereignty to swallow, but many of us have always felt that we were North Americans first and national citizens a very close second. So, due to these very high stakes, lets work hard to keep it that way!!

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Nigel Southway is an independent business consultant and the author of Cycle Time Management: The Fast Track to Time-Based Productivity Improvement, a LEAN thinking textbook.

He consults and educates worldwide on Business Productivity Improvement, Advanced Manufacturing Engineering, and Global Sustainability.

He is a past chair of the Society of Manufacturing Engineers and the leading advocate for the Take Back Manufacturing Forum, and the North American Reshoring initiative in Canada.

His latest book **Take Back Manufacturing** addresses the content contained in this article.

www.nigelsouthway.org