

The United States, a country in globalization: unequal integration of territories, tensions and international cooperation

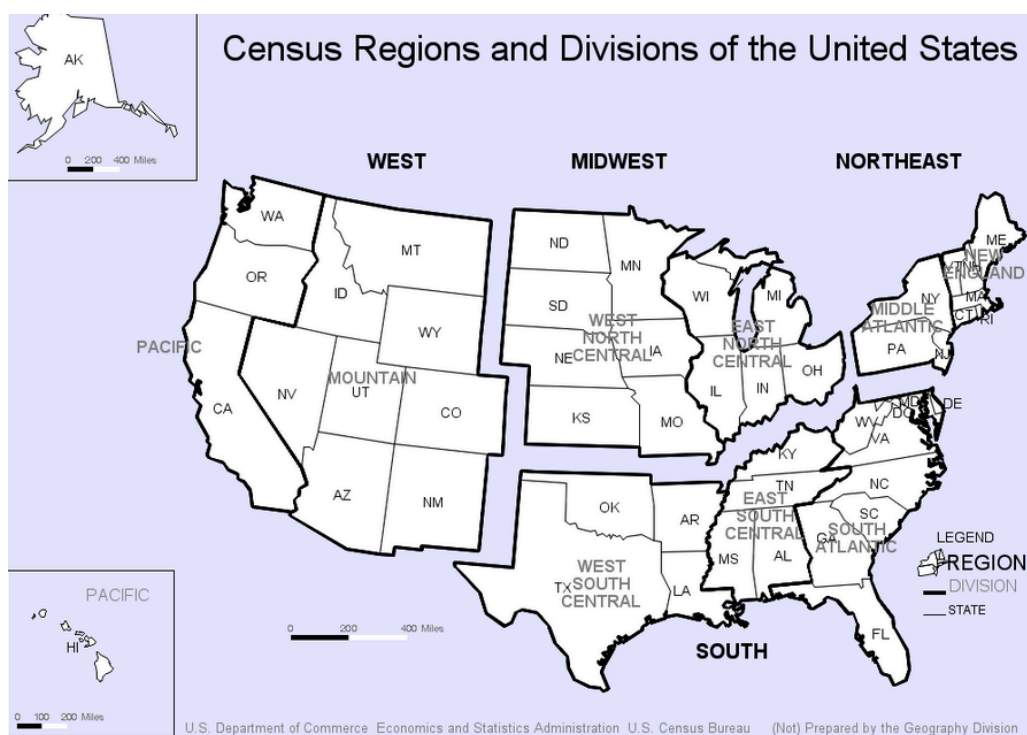
Key Question:

In what ways are (U.S.) territories unequally integrated into globalization?

Learning Objective:

Analyze the consequences of globalization on the U.S. at local, regional, and global scales.

Introduction



<https://www.businessinsider.com/united-states-regions-new-england-midwest-south-2018-4?IR=T>

This case study examines how the territories of the US are not homogenous in terms of their integration into globalization. At a local scale this includes how localities, such as Detroit, are seen as not having benefited from globalization whilst others, such as NYC, are extremely well integrated into the wider global economy. It also approaches this issue at a regional scale in terms of the relative integration of the Rust Belt compared with the Sun Belt and concludes with a survey of the USMCA as an example of international cooperation.

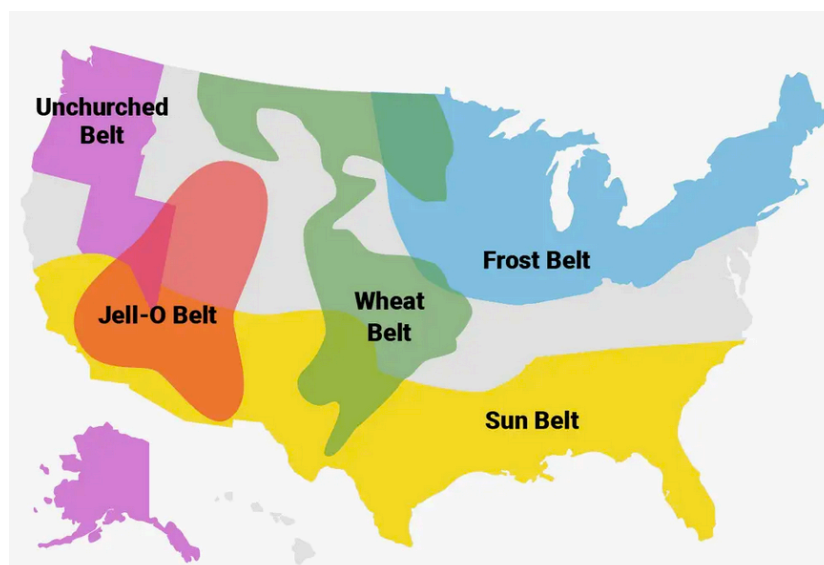
With an estimated population of 332.6 million, as of July 2020, the United States possesses the most technologically powerful economy in the world, with a per capita GDP of \$59,500. It hosts a diverse range of climatic types from arctic to subtropical, deserts to mountain ranges and flat prairie. Distinct differences can also be observed across the US between

rural, urban and exurban areas and at different scales from local through to regional and national.

The US can be divided and subdivided into countless regions, each sharing a unique set of characteristics that set it apart from the country as a whole. There is no consensus on defining these regions, even amongst government agencies. The above map is from the US Census Bureau which considers there to be four regions of the US however the Bureau of Economic Analysis uses a map that splits the country up into eight regions.

On top of these distinctions lie a plethora of further categorizations of US territory which divide the country into regions and belts based on a myriad of economic, cultural, climatic and religious characteristics. These include the Sun Belt, Rust Belt, Frost Belt, Bible Belt, Unchurched belt, Wheat Belt etc.

Examples of further, alternative regional divisions:



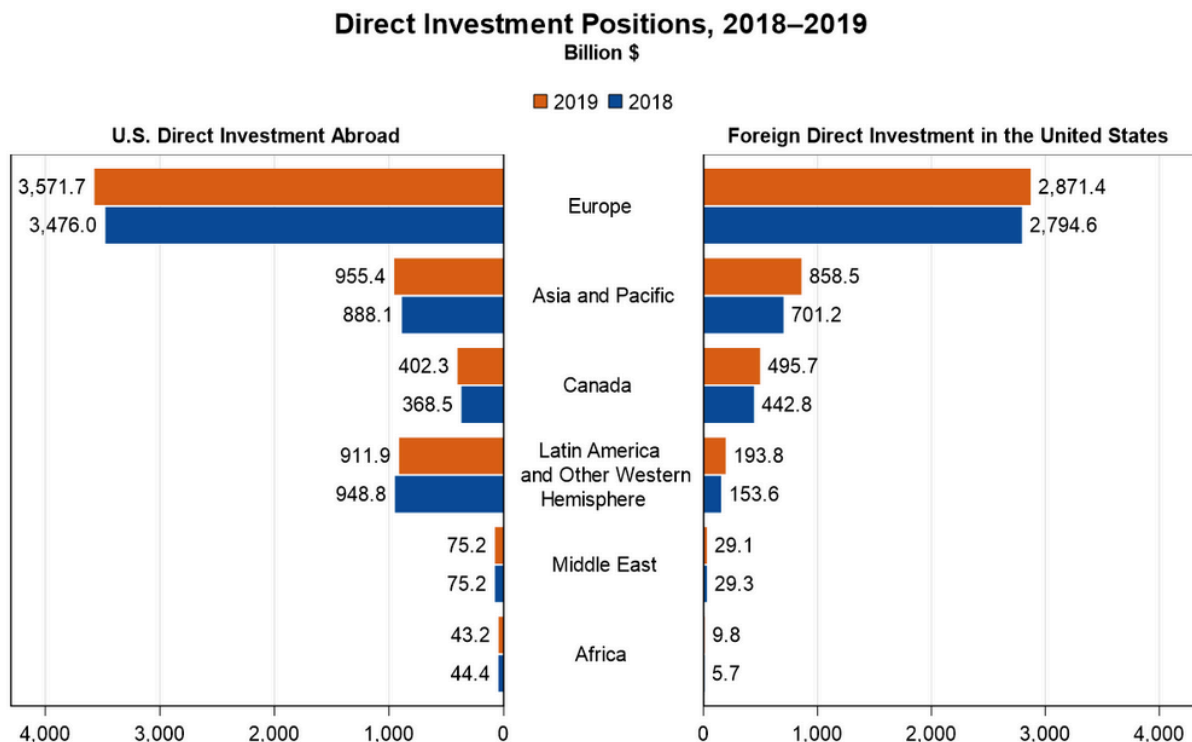
<https://www.businessinsider.com/regions-america-bible-belt-rust-belt-2018-4?IR=T#wheat-belt-13>

Foreign Direct Investment in the USA

The U.S. direct investment abroad position, or cumulative level of investment, increased \$158.6 billion to \$5.96 trillion at the end of 2019 from \$5.80 trillion at the end of 2018, according to statistics released by the Bureau of Economic Analysis (BEA). The increase reflected a \$95.7 billion increase in the position in Europe, primarily in the United Kingdom and the Netherlands. By industry, manufacturing affiliates accounted for most of the increase.

The foreign direct investment in the United States position increased \$331.2 billion to \$4.46 trillion at the end of 2019 from \$4.13 trillion at the end of 2018. The increase mainly reflected a \$157.3 billion increase in the position from Asia and Pacific, primarily Japan. By

industry, affiliates in manufacturing, finance and insurance, and wholesale trade accounted for the largest increases.



Source: U.S. Bureau of Economic Analysis

<https://www.bea.gov/data/intl-trade-investment/direct-investment-country-and-industry>

Nationwide, FDI in the United States contributes to productivity growth, generates U.S. exports, and creates high paying jobs for American workers.

In 2018 FDI is responsible for:



Competitive Jobs
7.8 Million direct jobs in the United States



R&D Activity
\$66.9 Billion in R&D Expenditures



Goods Exports
24% of all U.S. goods exports

<https://www.selectusa.gov/FDI-global-market/states-territories>

Further Evidence of Globalization within the US

Globalized society in the modern-day United States offers a complex web of forces and factors, bringing people, cultures, markets, beliefs, and practices into increasingly greater proximity to one another. In the United States, this has had a range of both positive and negative effects.

Free Trade

Free trade, which is a component of globalization, is a policy followed by many international markets in which countries' governments do not restrict imports from, or exports to, other countries. The relative costs, benefits, and beneficiaries of free trade are debated.

Economic liberals and neoliberals generally argue that higher degrees of political and economic freedom in the form of free trade in the developed world are ends in themselves, producing higher levels of overall material wealth. Globalization is seen by these proponents as the beneficial spread of liberty and capitalism. However, many in the United States oppose free trade for a variety of reasons. Free trade is often opposed by domestic industries that would have their profits and market share reduced by lower prices for imported goods. For example, if U.S. tariffs on imported sugar were reduced, U.S. sugar producers would receive lower prices and profits, while U.S. sugar consumers would spend less for the same amount of sugar because of those same lower prices.

The idea of free trade is opposed by many anti-globalization groups, based on the assertion that free trade agreements generally do not increase the economic freedom of the poor or the working class, and frequently make the poor even poorer.

Outsourcing

In business, outsourcing involves the contracting out of a business process to another party. The term "outsourcing" came from the words "outside resourcing," and it can include both foreign and domestic contracting. Globalization allows many American corporations to outsource manufacturing and service jobs from the United States to lower-cost locations (such as developing or Third World countries). The financial savings from lower international labor rates can provide a major motivation for companies to outsource, and many corporations take advantage of the lower wages and lack of benefits they can provide workers in lower-income countries. Some critics of globalization say that this harms poorer countries, while others argue it decreases the jobs available for American citizens at home.

Exporting American Culture

A 2005 report by the United Nations Educational, Scientific and Cultural Organization (UNESCO) showed that, while cultural exchange is becoming more frequent from Eastern Asia in recent years, Western countries are still the main exporters of cultural goods.

The term "Americanization" is used to describe the exportation of American culture across the globe, a process related to a period of high political American clout and of significant

growth of America's shops, markets, and objects being brought into other countries. Through the process of globalization, American culture has expanded around the globe by spreading pop culture, particularly via the Internet and satellite television. The diffusion of certain cuisines such as American fast food chains is a visible aspect of cultural globalization: the two most successful global food and beverage outlets, McDonald's and Starbucks, are American companies often cited as examples of globalization. Of the top ten global brands, seven are based in the United States; Coca-Cola, which holds the top spot, is often viewed as a symbol of Americanization.

Some critics of globalization argue that it harms the diversity of cultures. As a dominating country's culture (such as that of the United States) is introduced into a receiving country through globalization, it can become a threat to the diversity of local culture. Cultural practices including traditional music can be lost or turned into a fusion of traditions. While scholarly opinion typically states that globalization and Americanization are different phenomena, they are inherently linked.

Immigration and Population Changes

One of the ways in which internationalization has become apparent in the United States is through immigration and the resulting demographic changes occurring in the U.S. population. Through the continued process of immigration, the United States is becoming an increasingly ethnically diverse (and, hence, internationalized) country.

The American population more than tripled during the 20th century—at a growth rate of about 1.3% a year—from about 76 million in 1900 to 281 million in 2000. According to the Census Bureau's estimation for 2012, 50.4% of American children under the age of one belonged to so-called "minority" groups. Hispanic and Latinx Americans accounted for almost half (1.4 million) of the national population growth of 2.9 million between July 1, 2005, and July 1, 2006. Immigrants and their U.S.-born descendants are expected to provide most of the U.S. population gains in the decades ahead. The top twelve emigrant countries in 2006 were Mexico (173,753), People's Republic of China (87,345), Philippines (74,607), India (61,369), Cuba (45,614), Colombia (43,151), Dominican Republic (38,069), El Salvador (31,783), Vietnam (30,695), Jamaica (24,976), South Korea (24,386), Guatemala (24,146). Other countries comprise an additional 606,370.

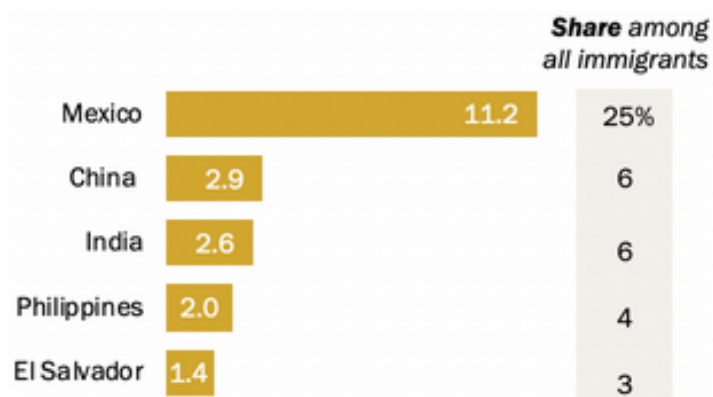
<https://courses.lumenlearning.com/boundless-ushistory/chapter/globalization-and-the-u-s/>

Immigration at a National Scale

The United States has more immigrants than any other country in the world. Today, more than 40 million people living in the U.S. were born in another country, accounting for about one-fifth of the world's migrants. The population of immigrants is also very diverse, with just about every country in the world represented among U.S. immigrants.

Mexico, China and India are among top birthplaces for immigrants in the U.S.

Top five countries of birth for immigrants in the U.S. in 2018, in millions



Note: China includes Macau, Hong Kong, Taiwan and Mongolia.

Source: Pew Research Center tabulations of 2018 American Community Survey (IPUMS).

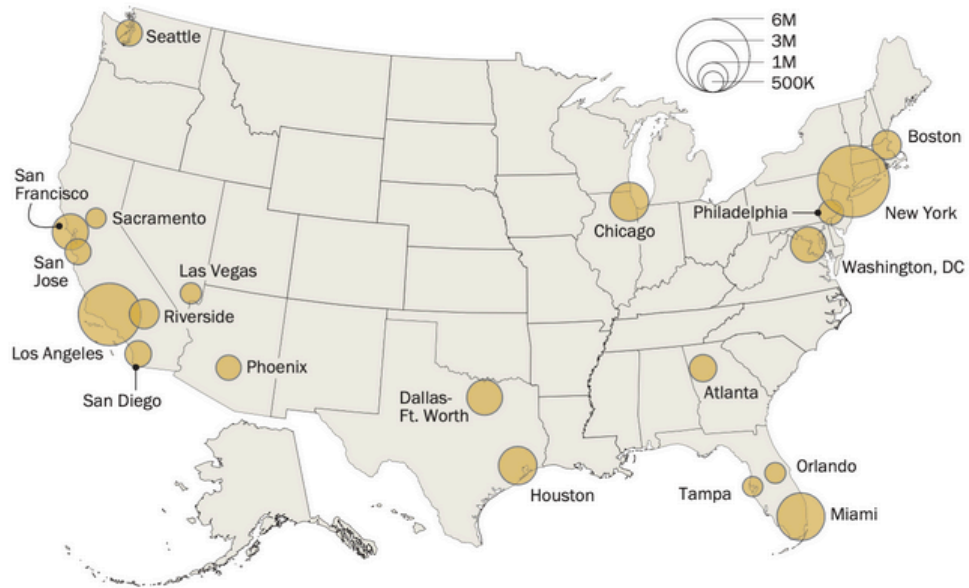
PEW RESEARCH CENTER

Nearly half (45%) of the nation's immigrants live in just three states: California (24%), Texas (11%) and Florida (10%). California had the largest immigrant population of any state in 2018, at 10.6 million. Texas, Florida and New York had more than 4 million immigrants each. In terms of regions, about two-thirds of immigrants lived in the West (34%) and South (34%).

Roughly one-fifth lived in the Northeast (21%) and 11% were in the Midwest.

In 2018, most immigrants lived in just 20 major metropolitan areas, with the largest populations in the New York, Los Angeles and Miami metro areas. These top 20 metro areas were home to 28.7 million immigrants, or 64% of the nation's total foreign-born population. Most of the nation's unauthorized immigrant population lived in these top metro areas as well.

20 metropolitan areas with the largest number of immigrants in 2018



Source: Pew Research Center analysis of 2018 American Community Survey (1% IPUMS).

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<https://www.pewresearch.org/fact-tank/2020/08/20/key-findings-about-u-s-immigrants/>

Regional Scale: The Rust Belt

The Rust Belt is a colloquial term used to describe the geographic region stretching from New York through the Midwest that was once dominated by the [coal industry](#), steel production, and [manufacturing](#). The Rust Belt became an industrial hub due to its proximity to the Great Lakes, canals, and rivers, which allowed companies to access [raw materials](#) and ship out finished products.

The region received the name Rust Belt in the late 1970s, after a sharp decline in industrial work left many factories abandoned and desolate, causing increased rust from exposure to the elements. It is also referred to as the Manufacturing Belt and the Factory Belt.

KEY TAKEAWAYS

- The Rust Belt refers to the geographic region from New York through the Midwest that was once dominated by manufacturing.
- The Rust Belt is synonymous with regions facing industrial decline and abandoned factories rusted from exposure to the elements.
- The Rust Belt was home to thousands of blue-collar jobs in coal plants, steel and automotive production, and the weapons industry.

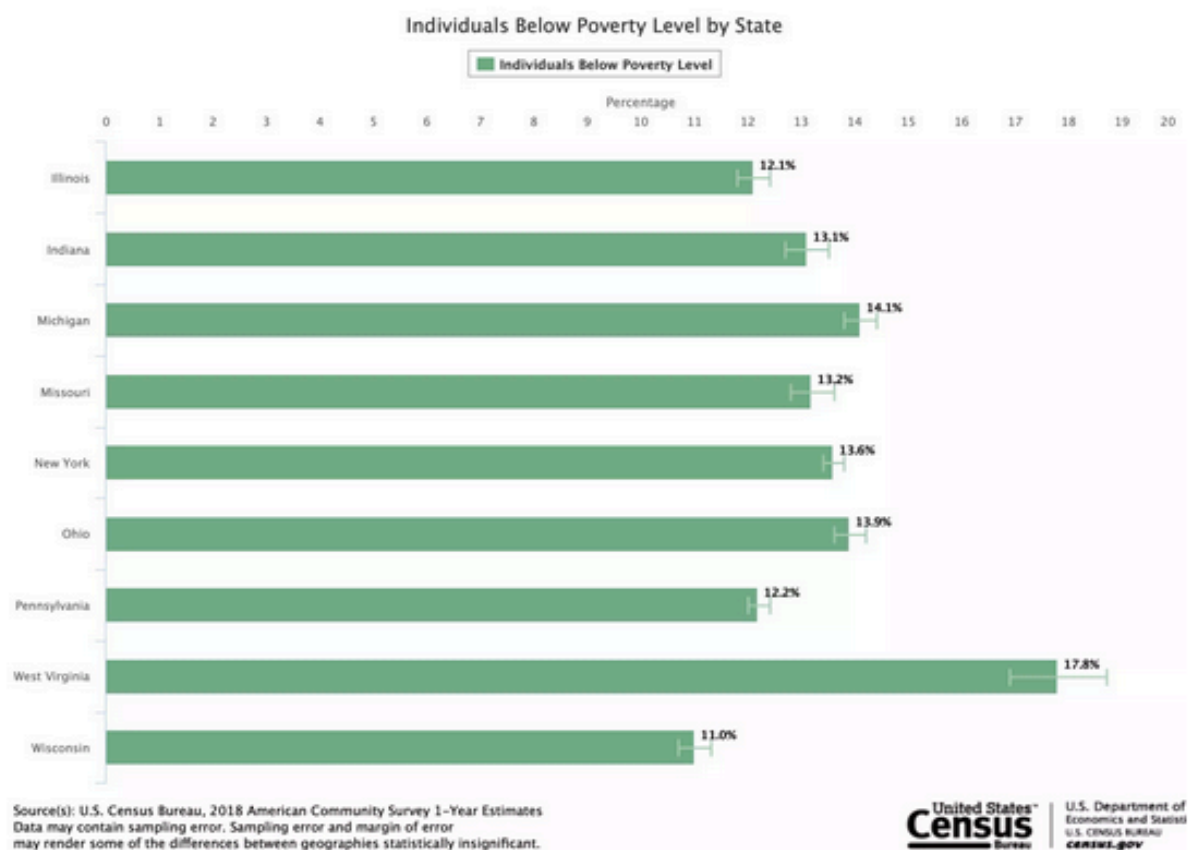


The term Rust Belt is often used in a derogatory sense to describe parts of the country that have seen an economic decline—typically very drastic. The rust belt region represents the deindustrialization of an area, which is often accompanied by fewer high-paying jobs and high poverty rates. The result has been a change in the urban landscape as the local population has moved to other areas of the country in search of work.

Although there is no definitive boundary, the states that are considered in the Rust Belt—at least partly—include the following:

- Indiana
- Illinois
- Michigan
- Missouri
- New York; Upstate and western regions
- Ohio
- Pennsylvania
- West Virginia
- Wisconsin

There are other states in the U.S. that have also experienced declines in manufacturing, such as states in the deep south, but they are not usually considered part of the Rust Belt. The region was home to some of America's most prominent industries, such as steel production and automobile manufacturing. Once recognized as the industrial heartland, the region has experienced a sharp downturn in industrial activity from the increased cost of domestic labour, competition from overseas, technology advancements replacing workers, and the capital intensive nature of manufacturing.



Poverty Rates in the Rust Belt. Investopedia

[Blue-collar](#) jobs have increasingly moved overseas, forcing local governments to rethink the type of manufacturing businesses that can succeed in the area. While some cities managed to adopt new technologies, others still struggle with rising poverty levels and declining populations.

<https://www.investopedia.com/terms/r/rust-belt.asp>

Revitalizing the Rust Belt

Automation has transformed the American factory, but as a result rendered millions of low-skilled jobs redundant. The reason for this shift is clear. To stay competitive, companies must keep costs low, and labour is the biggest cost for many organizations. Areas like the upper Midwest have felt this the most, with the automotive industry in areas like Michigan being hit hard between 1999 – 2007, according to 2017 research by Daron Acemoglu of MIT and Pascual Restrepo of Boston University.

As a new breed of manufacturing jobs arise, there may be too few Americans with manufacturing skills to fill them. LinkedIn's May 2017 U.S. Workforce found that demand for manufacturing skills is strong along the coasts, but not the in the old manufacturing heartland of the Rust Belt previously the hotbed for American factory jobs. It also found that cities that are gaining the most workers - like Portland, Los Angeles, Seattle and Denver - primarily attract talent from across the U.S. and abroad. However, the old manufacturing bases of Chicago, Detroit, Pittsburgh and St. Louis primarily attract workers from nearby towns. It may become increasingly challenging for cities in Middle America to attract businesses to an area that is losing workers, plus it's also hard to retain the top talent it already has. LinkedIn's report advised employers in the coastal cities that were hiring lean manufacturing and quality management skills to consider recruiting from the Midwest, where skills are abundant, but jobs are not. This could create a perfect storm of hollowing out the mid-west, as manufacturing returns to the U.S., but is heavily automated and requires new skills, not old ones.

The Rust Belt can be saved, but only if you see automation as the saviour and not the threat. The old jobs – production line operative, picker, packers, truck drivers are dead or dying. There is no point pining for what will not return. Building already frustrated workers up on the prospect of large-scale hiring in an increasingly automated, hyper-efficient manufacturing sector is not a wise move that will end up in broken promises and more frustration. It would be far better to focus on preparing workers for the rise of the robots than to promise them jobs that will be done by machines.

However, globalization and off-shoring production is not the whole story as to why the number of jobs is reducing -- the longer-term picture is one of continued efficiency improvements. To truly see the impact requires returning to a longer-term view and looking at the number of jobs required to produce each \$ 1 million of manufacturing output. In 1980, there were 24.9 jobs per \$million of manufacturing output. In 2015 that had dropped to 6.4 jobs per \$million. The reason for this is clear: if we are making much more with fewer people, then we must have become much more efficient at manufacturing. There are only two ways to achieve this. Either things are being made somewhere else, or by machines.

What technology enables U.S. manufacturers to do is be competitive again and where manufacturing goes, innovation, R&D and service follow. Advanced robotics can allow U.S. manufacturers to make goods at a price point that is competitive globally, but without the long lead times, excessive shipping costs and communication issues. The PAL supply chain – Personal, Automated and Local, is here.

So, let the coastal cities design the software and algorithms, but make the robots and their products in the cities where the property is cheap, labour available and desperate for a job with a purpose. Use the Rust Belt's apparent weakness – its location and rundown buildings – as a strength. Affordable property, especially disused mills, factories and warehouses, could make great and affordable innovation work spaces and apartments for the new entrepreneurs and knowledge workers. As the coastal cities becoming increasingly unaffordable, so this move will become increasingly attractive. Also, as autonomous, electric vehicles hit the road, transporting people and goods across the U.S. will be exponentially cheaper.

The jobs that are being automated away in manufacturing are rubbish jobs mostly – ways to earn money and not much else. Yes, they allowed people to feel the satisfaction of putting food on the table and a roof over their family's heads, but we deserve more than that. In addition to making some jobs obsolete, new technologies have also long complemented people's skills and enabled them to be more productive. Now is the time to create new jobs, with a greater purpose, more challenging activities and the potential to use technology as a positive force.



Ruins at the abandoned Packard Automotive Plant are seen on September 4, 2013 in Detroit, Michigan. The Packard Plant was a 3.5 million square foot car manufacturing plant built completed in 1911. Major operations ceased in 1958, though the plant was used in a limited capacity until the 1990s, with outer buildings used through the mid 2000s. (Photo by Andrew Burton/Getty Images) [-]

<https://www.forbes.com/sites/realspin/2017/09/08/revitalizing-the-rust-belt/?sh=55dd99b346f2>

Link to video about Why does the Rust Belt Keeps Shrinking? (5m):
https://www.youtube.com/watch?v=HfASWPpeZLE&feature=emb_logo

Globalization leading to problems and opportunities: Regional scale case study of Michigan and local scale case study of Detroit

| Michigan | |
|-----------------------------------------------------------------------|--|
| 2019 Population Estimates | |
| 9,986,857 | |
| <i>Source: Vintage 2019 Population Estimates</i> | |
| Median Household Income | |
| \$ 57,144 | |
| <i>Source: 2015-2019 American Community Survey 5-Year Estimates</i> | |
| Persons in poverty, percent | |
| 13.0 % | |
| <i>Source: 2019 American Community Survey 1-Year Estimates</i> | |
| Educational Attainment: Percent high school graduate or higher | |
| 90.8 % | |
| <i>Source: 2015-2019 American Community Survey 5-Year Estimates</i> | |
| Persons without health insurance, percent | |
| 5.5 % | |
| <i>Source: 2015-2019 American Community Survey 5-Year Estimates</i> | |

Census Bureau 2019

US

Employment supported by FDI:



According to the 2010 US Census, Michigan was the only state in the country to see a population drop over the last decade, which is mostly caused by the sharp decline in the state's auto industry, which has indirectly led to the bankruptcy declaration from the city of Detroit in 2013. The state's labour force has remained heavily dependent on the stagnant US auto industry, and Michigan's declining population runs against regional trends. Some economists are hopeful that Michigan can push for new tax incentives to encourage new business in the state, but only time will tell how long it takes Michigan to rebound from what has been a bad decade.



Situated in the heart of the Great Lakes, Michigan is one of the largest states in the US both in terms of land mass and population.

With a total land mass of 96,716 square miles, (250,493 square kilometers), Michigan is the eleventh biggest state in the USA by area. The land is fairly densely packed, although not exceptionally so -- for every square mile of Michigan territory, there is an average of 174 people (67.1 per square kilometer). Those figures leave Michigan ranking 18th in terms of population density.

The largest city in Michigan is the Motor City, Detroit. The 2010 census confirmed that it was home to 713,862 people. This number has decreased to just over 677,000 according to 2015 estimates. If you take a look at the population of Detroit, it's clear that this is where much of the state's demographic problems lie. At its peak in 1950, there were 1.85 million people living in the city. In 2016, that number has declined by over one million people. Many of those leaving the city are actually not moving far -- they move out toward the suburbs. But following the city's bankruptcy filing and urban decay, it's likely that some are packing up completely and moving out of state, which doesn't help the state's overall population figures.

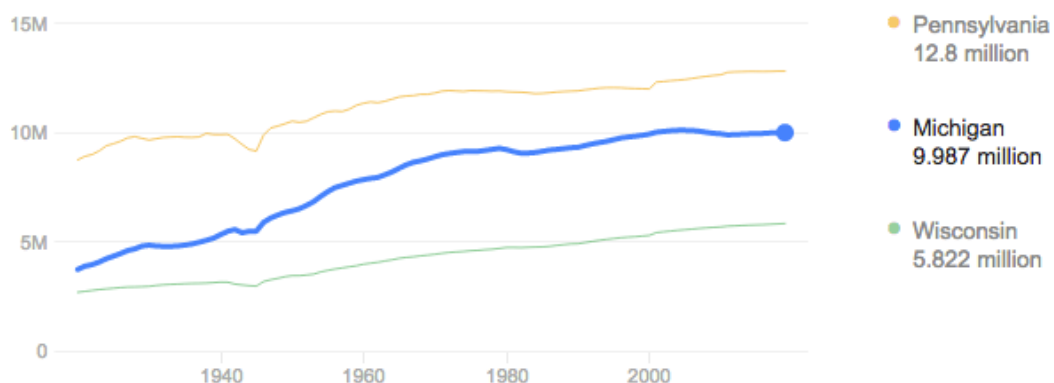
Other large cities in Michigan include Grand Rapids (pop: 195,097), Warren (pop: 135,358), Sterling Heights (pop: 132,052), Lansing (pop: 115,056), Ann Arbor (pop: 117,070), and Flint (pop: 98,310).

Larger counties in Michigan include Wayne County (over 1,700,000) and Oakland County (over 1,200,000).

<https://worldpopulationreview.com/states/michigan-population>

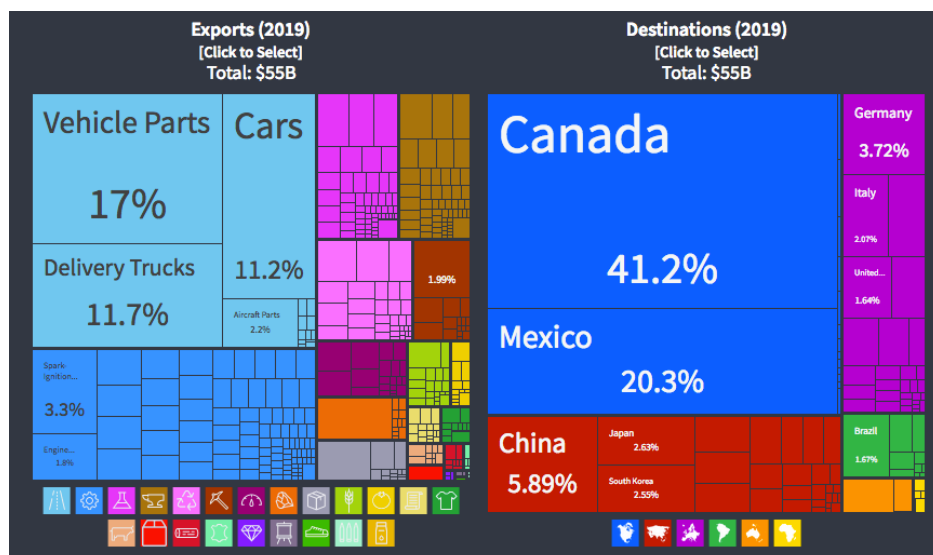
Evolution of the population in three Rust Belt States

9.987 million (2019)

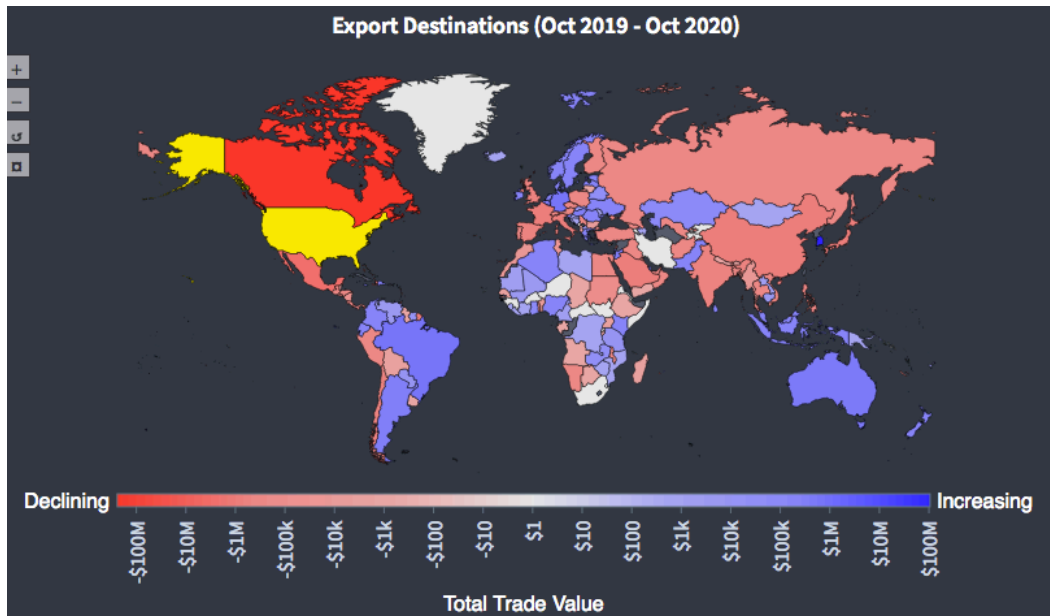


Sources include: United States Census Bureau

In 2019, United States Michigan exported \$55B, making it the 8th largest exporter out of the 53 exporters in the United States. Michigan also imported \$142B, making it the 4th largest importer out of the 53 importers in United States. In 2019 the top export destinations of Michigan were Canada (\$22.7B), Mexico (\$11.2B), China (\$3.24B), Germany (\$2.04B), and Japan (\$1.45B).



Michigan Export Destinations



Fastest Growing Exports Destination (Nov 2019 - Nov 2020)

- [Belgium](#), \$47.7M (120%)
- [Japan](#), \$17.5M (17.1%)
- [Spain](#), \$7.15M (15.3%)

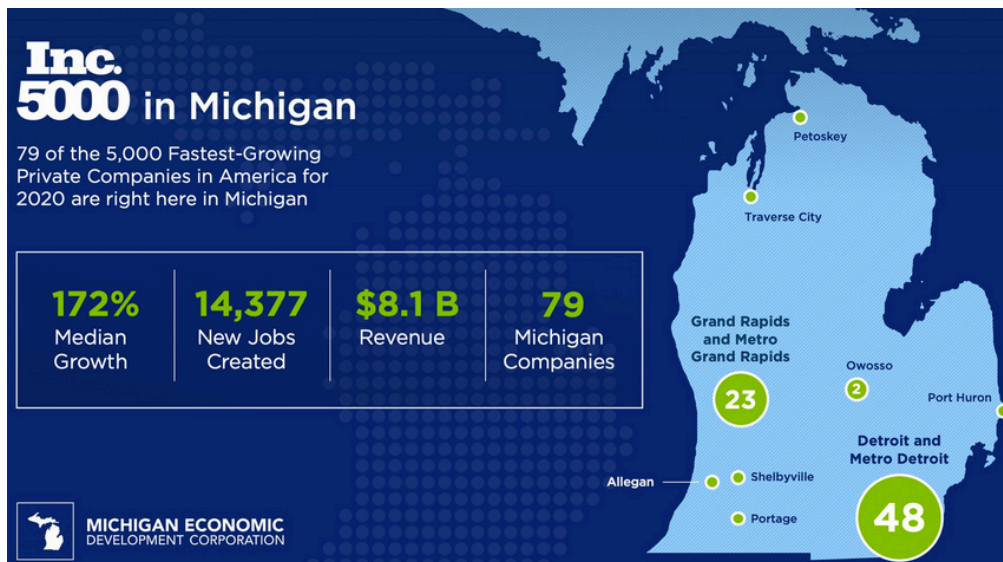
Rapidly Declining Export Origins (Nov 2019 - Nov 2020)

- [Canada](#), -\$207M (-12.1%)
- [Mexico](#), -\$81.5M (-8.85%)
- [China](#), -\$30M (-10.7%)

https://oec.world/en/profile/subnational_usa_state/mi?redirect=true

Michigan's New Battery Cluster

The steep decline in Michigan's auto manufacturing industry, which led to the loss of 800,000 jobs over the past decade, prompted state economic development officials to launch an intensive drive to develop new industrial clusters. The goal was to both diversify the state's industrial base and to expand on its existing strengths in automotive technologies and advanced manufacturing. Some 80 percent of U.S. automotive R&D is done within a 50mile radius of downtown Detroit.



After an extensive analysis, the Michigan Economic Development Corp. (MEDC) in 2005 targeted six industries: advanced energy storage, solar power, wind turbine manufacturing, bio-energy, advanced materials, and defense. The campaign to nurture a cluster in advanced batteries—a manufacturing industry that at the time was based almost entirely in Asia—was launched. Of the \$2.4 billion allocated by the Department of Energy to advanced battery manufacturing projects under the American Reinvestment and Recovery Act of 2009, \$1.3 billion went to Michigan-based factories. At a National Academies symposium on Michigan’s battery initiative, then Michigan Governor Jennifer Granholm declared that the state “is well on its way to becoming the advanced battery capital of the world.”

Michigan’s approach is characterized by a comprehensive strategy that included investments in R&D, generous tax incentives, extensive training programs for engineers and skilled production workers, and public-private partnerships that brought together universities, industry, government agencies, and the U.S. Army—a large potential customer for high-performance, energy saving rechargeable batteries. What’s more, the MEDC knew Michigan needed more than battery assembly plants and front-end R&D to build a sustainable industry and to compete with Asia. The state also needed an entire supply chain of materials and core components, most of which currently must be imported.

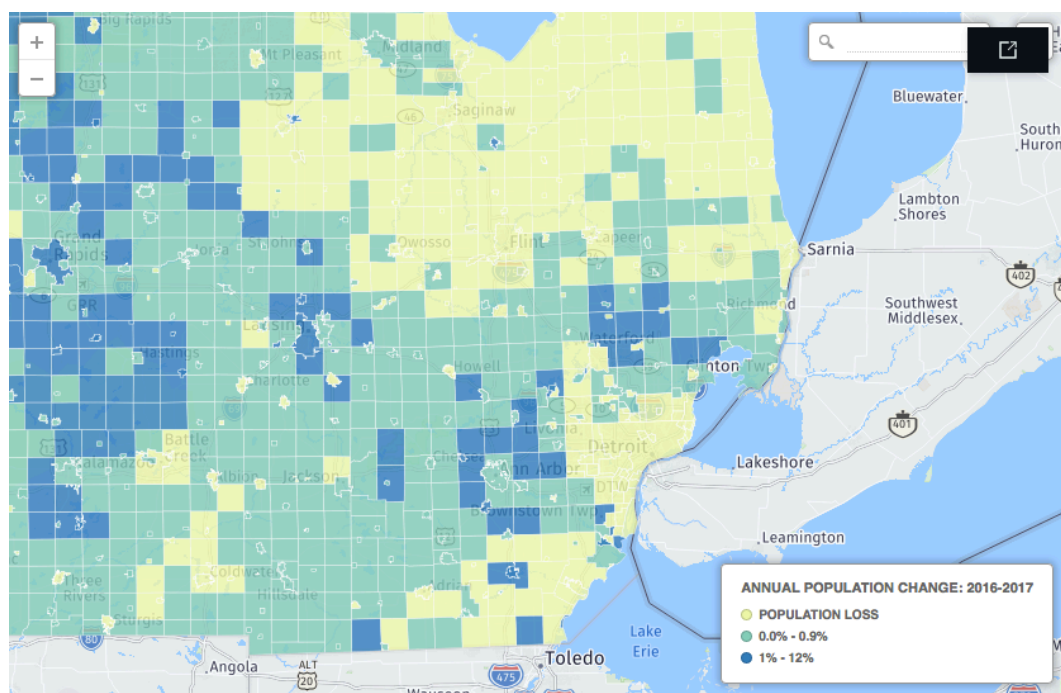
Michigan targeted advanced batteries well before federal aid was available. The MEDC believed the state’s base in car manufacturing and engineering gave it a clear advantage in an industry expected to surge as automakers boosted production of hybrid and electric vehicles. The MEDC viewed advanced batteries as strategically important because they represent the core technology of future automobiles. “Michigan did not want to stand by and cede leadership in power-train development to other states and countries,” explained Eric Shreffler, who leads the MEDC’s advanced energy storage program.

The MEDC began by recruiting battery pack manufacturing and vehicle electrification programs. Michigan launched the Centers for Energy Excellence, which granted \$13 million to lithium-ion battery developers Sakti3 and A123 on condition they secure federal funds and establish university partnerships. The agency also introduced the Michigan Advanced Battery Tax Credits program. Industry response was so strong that the legislature tripled

funding, to \$1.02 billion. Under the scheme, Michigan refunds up to \$100 million of a company's capital investment. Battery pack manufacturers receive a credit for each pack they assemble in Michigan. The \$1.3 billion in Recovery Act grants went to many of the same companies that received state aid.

<https://www.ncbi.nlm.nih.gov/books/NBK100322/>

Detroit population continues to decline, according to Census estimate



Most of Michigan's large communities saw annual population gains last year

| Community | 2016 Population | 2017 Population | Numeric change | Percent change |
|------------------|-----------------|-----------------|----------------|----------------|
| Detroit | 675,480 | 673,104 | -2,376 | -0.35 |
| Grand Rapids | 196,251 | 198,829 | 2,578 | 1.31 |
| Warren | 135,030 | 135,022 | -8 | -0.01 |
| Sterling Heights | 132,334 | 132,631 | 297 | 0.22 |
| Ann Arbor | 120,713 | 121,477 | 764 | 0.63 |
| Lansing | 115,797 | 116,986 | 1,189 | 1.03 |
| Clinton Twp. | 100,385 | 100,712 | 327 | 0.33 |

SOURCE U.S. Census Bureau

<https://eu.freep.com/story/news/2018/05/24/detroit-fife-lake-township-census-bureau-population-drop/633602002/>

Detroit Population

Detroit had 670,031 residents in 2019, according to the Census estimate. That's a decline of 2,496 compared to 2018's population, a 0.4 percent loss.

The Motor City's population has plummeted since 1950, when it was the fifth largest U.S. city with 1.8 million people. Last decade, the city lost more than 25 percent of its residents. Between 2000 and 2010, Detroit lost on average 23,700 residents every year, plunging the city's population to 711,131.

But since 2010, the city has halted those steep declines. From 2010 to 2019, it lost a total of 5.8 percent of its residents, or 41,100 people. The 2010s saw a revival of downtown and a number of neighborhoods where housing prices have surged and new retail has sprouted. In 2014, Detroit's white population had grown by 8,000 compared to the year earlier. It was the first significant increase in the white population since 1950 but it has not been enough to slow the overall population loss. Based on the 2019 estimate, Detroit now ranks as the 24th largest U.S. city, surpassed by Nashville. Nashville's downtown population grew by 130% in 2019, according to a report by the Nashville Downtown Partnership.

Experts cautioned the 2019 estimate could change after the 2020 Census count. Every 10 years, the U.S. government tries to count every person in the nation.

For each uncounted person in the decennial census count, Detroit stands to lose an estimated \$5,500 — or \$55,000 over 10 years — in federal aid, according to city estimates. Detroit receives about \$3 billion in funding for federal programs each year. Those federal programs range from Medicare and free lunch at schools to Head Start and roads. The counts help set hospital funding, and could determine how much of the coronavirus vaccine goes to communities once one is developed.

<https://www.bridgemi.com/urban-affairs/detroit-population-continues-decline-according-census-estimate>

Globalization and the North East Megalopolis

BosNYWash Regional to local scale case study on NY



The Northeast Megalopolis 2.0

April 8th 2019

The Northeast megalopolis is a unique multilayered region with a deep global footprint which still marks it as one of the truly great centers of international commerce. If the economic rise had happened in another place – like China, Japan or Europe – it would have been described as an economic “miracle” or a “revolution.” But in the highly industrialized Northeast, there was always an expectation of a growth in commerce, like an expectation of sunshine in southern California.

Over 56 million people live in the corridor and even with the rise of other U.S. megalopolis regions like the greater Atlanta corridor in the southeast or Los Angeles-Long Beach region in California, the original Northeast megalopolis is still the most densely populated region in the U.S. In rough terms, the corridor has a GDP of \$4.4 trillion – a little over 20% of the U.S. total. Individually four states have a GDP over \$500 billion, topped by New York at around

\$1.5-\$1.7 trillion. While California and Texas have higher GDPs, and the Chicago area is its own megalopolis, no other region has so many \$500 billion states in such close proximity. It is a major country's worth of GDP. To put it in a global perspective, the Northeast region has a slightly larger GDP than Germany – the world's fourth largest economy.

In his megalopolis study, Gottmann dubbed the Northeast corridor, "Main Street" USA. But over the ensuing 58 years, the north-south corridor built around Route 1, has become a superhighway of commerce not only linking the individual segments of the megalopolis but as the gateway to the U.S. Midwest – the North American hinterland. Two major economic influences of the last half century have shaped the Northeast corridor in ways even Gottmann couldn't have foreseen. The rise of consumerism and containerization – an unexpected attribute of globalization which began in Port Newark with the sailing of the world's first containership, the SS Ideal X in 1955.

The Big Apple. It is hard to overlook the enormous economic gravity that metropolitan New York exerts on the entire Northeast region. It is the Jupiter of cities with a dozen satellite cities in its orbit. Without it, the Northeast would still be a significant economic entity but the sheer volume of activity of the City has a defining impact on the region. There is something like a thousand corporate headquarters in metropolitan New York including 52 fortune 500 companies – such economic power is nearly unmatched, not only in North America but the world.

But it is the unquenchable demand for consumer goods that draws containership) services into the whirlpool. Virtually every containership operator wants to center their East Coast services – whether coming from the East or the West - around the call in the Port of New York/New Jersey. In a real sense, every port from Norfolk, Virginia to Boston, Massachusetts to Portland, Maine is in competition (or collaboration) with the Port of New York/New Jersey. With larger ships –over 14,000 TEU – and fewer port calls, the lure of 8.6 million consumers packed into a little over 300 sq./mi is nearly irresistible (**TEU**: Twenty-foot equivalent measurement based on the volume of a single twenty foot long intermodal container). For containership operators, it is the ship call that matches their mantra of economies-of-scale like no other. The containers are offloaded and their contents consumed within miles of the piers, only to be reloaded on the ships to start the process again – the perfect circle of life for container shipping.

But PANYNJ is both the destination and the gateway. Freight movements from New England to Virginia are pulled into the New York/New Jersey orbit. Equally the Port is key to moving freight to destinations like Chicago, St Louis and Kansas City. In recent years, Southeastern ports like Charleston and Savannah (which are growing faster) have also risen to compete for the U.S. heartland, as have the Ports of Virginia, Port of Baltimore and to a lesser extent the Delaware River ports of Philadelphia and Wilmington, Delaware. But the rotation of ships is largely set up by the allure of the bright lights of New York. Last year the Port posted over 7 million TEUs and the next closest rival, the Port of Norfolk was less than 3 million TEUs. And the draw of NYC is very long and the question can be posed of whether the \$5.25 billion expansion of the Panama Canal would have occurred without the economic promise of the Big Apple?

<https://www.ajot.com/premium/ajot-the-northeast-megalopolis-2.0>

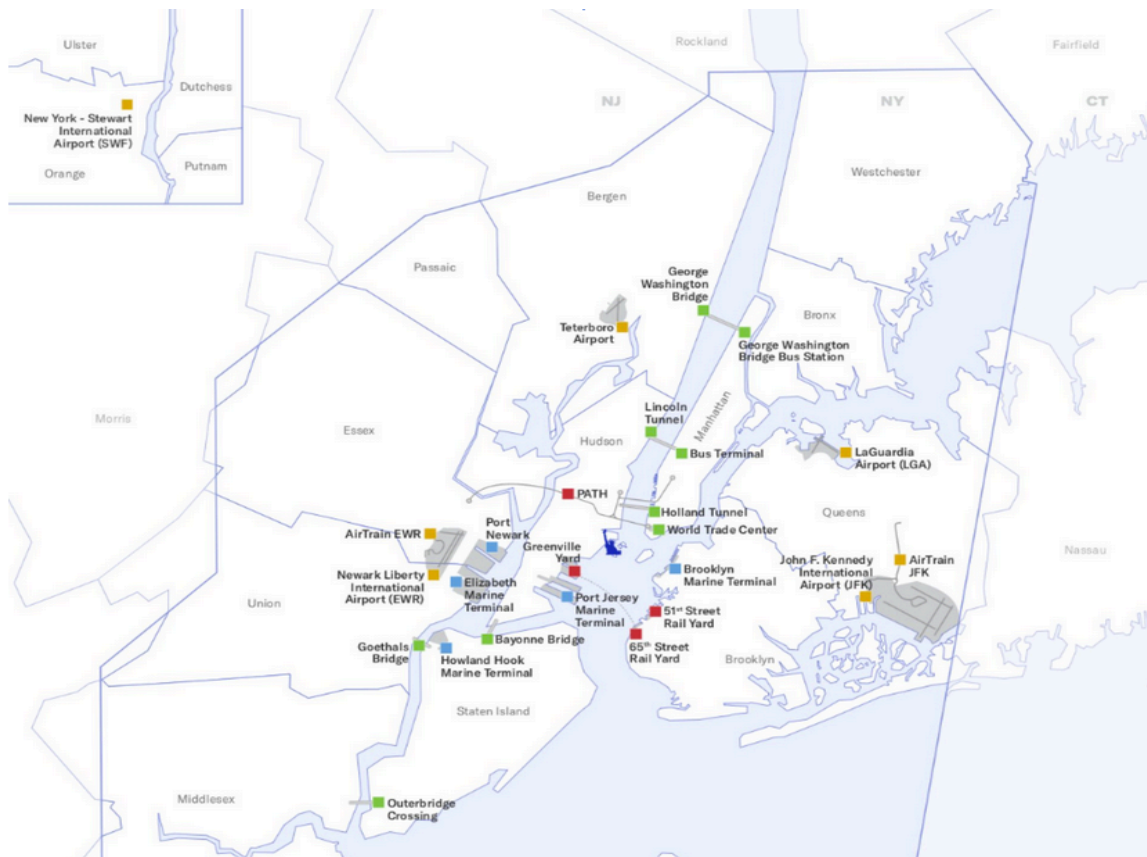
Port Authority of New York and Newark

This is a self-supporting corporate agency formed in 1921 by agreement between the states of New York and New Jersey for the purpose of developing and operating trade and transportation facilities in the northern New Jersey–New York City region.

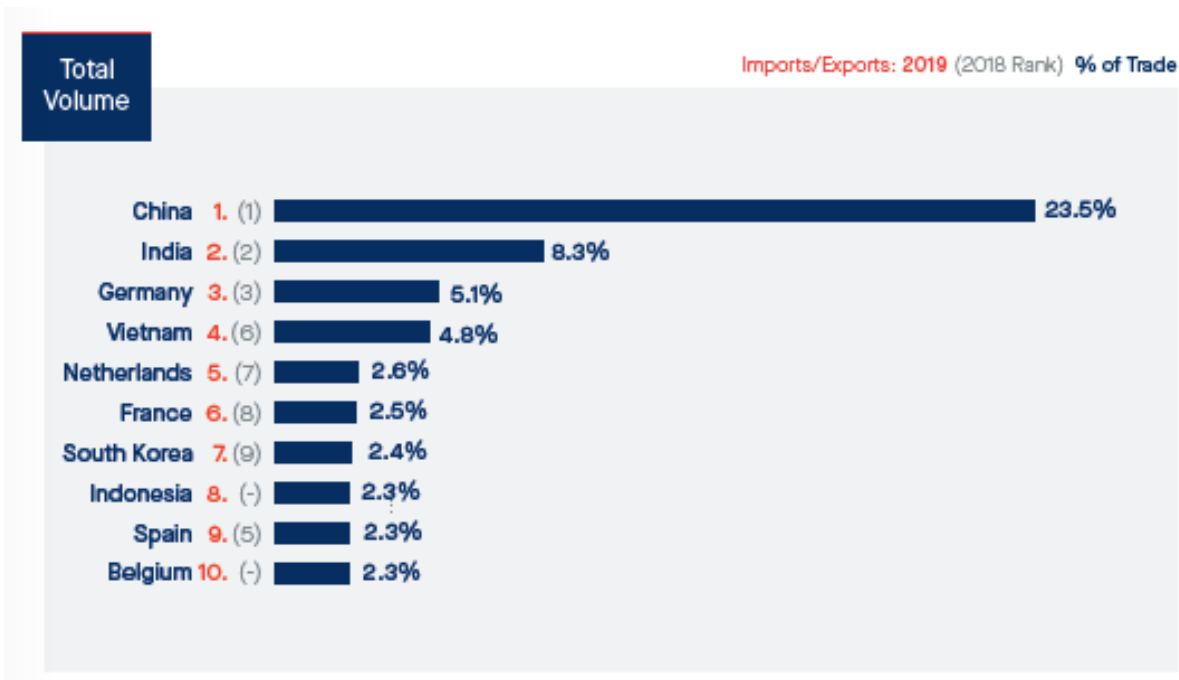
This responsibility includes the maintenance and management of the Lincoln and Holland tunnels under the Hudson River and of the bridges linking the two states.

Kennedy, Newark, La Guardia, and Teterboro airports also are under the jurisdiction of the Port Authority, as are three bus-truck terminals, seven marine passenger ports, and a heliport. During the 1970s the Port Authority constructed the twin-towered World Trade Center in Lower Manhattan to house firms and agencies engaged in international trade in an effort to further encourage commerce in the region; both towers were destroyed in a terrorist attack in 2001 – the new World Trade Center is also operated by the PANYNJ.

Britannica Online



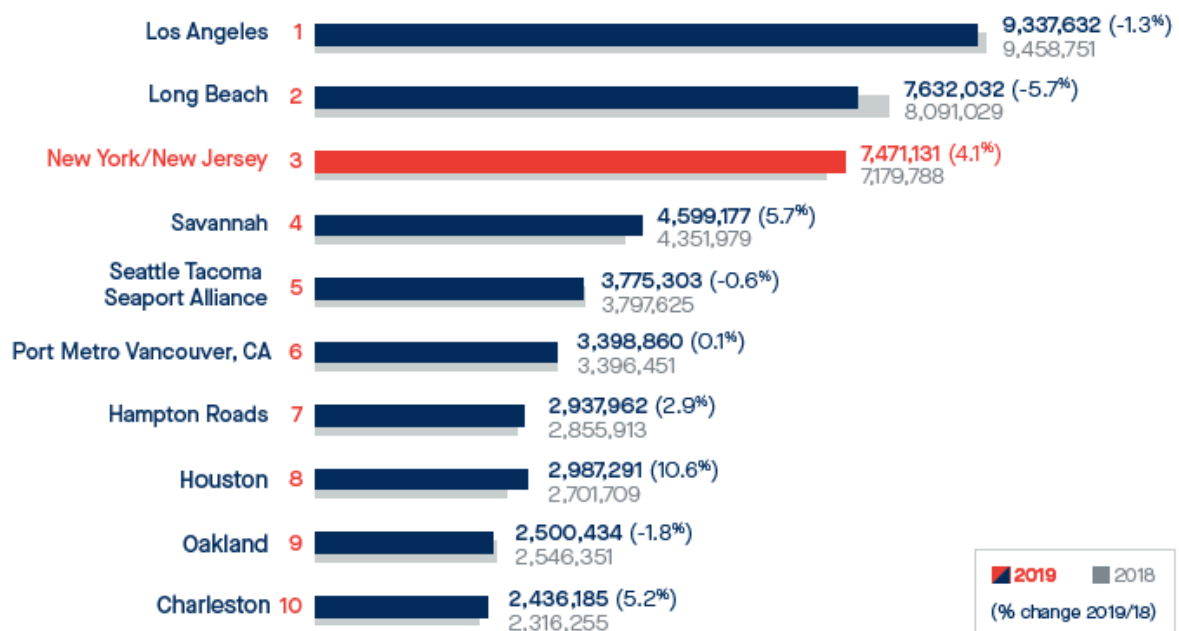
Our Facilities ■ Air ■ Land ■ Rail ■ Sea



Map and both charts from:
<https://www.panynj.gov/port/en/our-port/facts-and-figures.html>

2019 Port Volume Rankings

(Top 10, U.S., unless otherwise noted)



Video (12m) on North east megalopolis (refer to 1°OIB Geog Theme 1):
https://www.youtube.com/watch?v=vKkdkDUssk&feature=emb_logo

The Sun Belt



The Kinder Institute defines the Sun Belt as the wide swath of the continental United States south of 36 degrees 30 minutes north latitude. In particular, the paper focuses on the 22 metropolitan statistical areas in the Sun Belt with populations of 1 million or more. Those metros accounted for more than 40% of U.S population growth between 2000 and 2016. Sun Belt economies also grew quickly, with jobs growing fastest in the highest- and lowest-paying sectors. And the Sun Belt was slower to lose manufacturing jobs than the Rust Belt, the paper concludes.

"There's a lot of manufacturing strength in the Sun Belt," said Bill Fulton, director of the Kinder Institute and the paper's lead author.

Sun Belt cities are also more dependent on automobiles, they have higher transportation costs and more pedestrians die on their streets, the report says. Although they have invested heavily in public transit in recent decades, on a per capita basis ridership remains low compared to other parts of the country.

And while Sun Belt metros have had a reputation for affordable housing, that phenomenon is fading, the report says. Homeownership rates are on the decline, and a high percentage of households are classified as "housing-cost-burdened." (In other words, they spend more than 30% of their income on housing and may have problems affording necessities such as food, clothing, transportation and medical care).

Poverty appears to be growing faster in large Sun Belt metros, the report says.

"The way Sun Belt cities are laid out, you're just more dependent on cars," Fulton said.

"That's a real strain on families who are filling these low-wage jobs, since transportation costs are higher than you think, not to mention the cost of housing, which is on the rise."

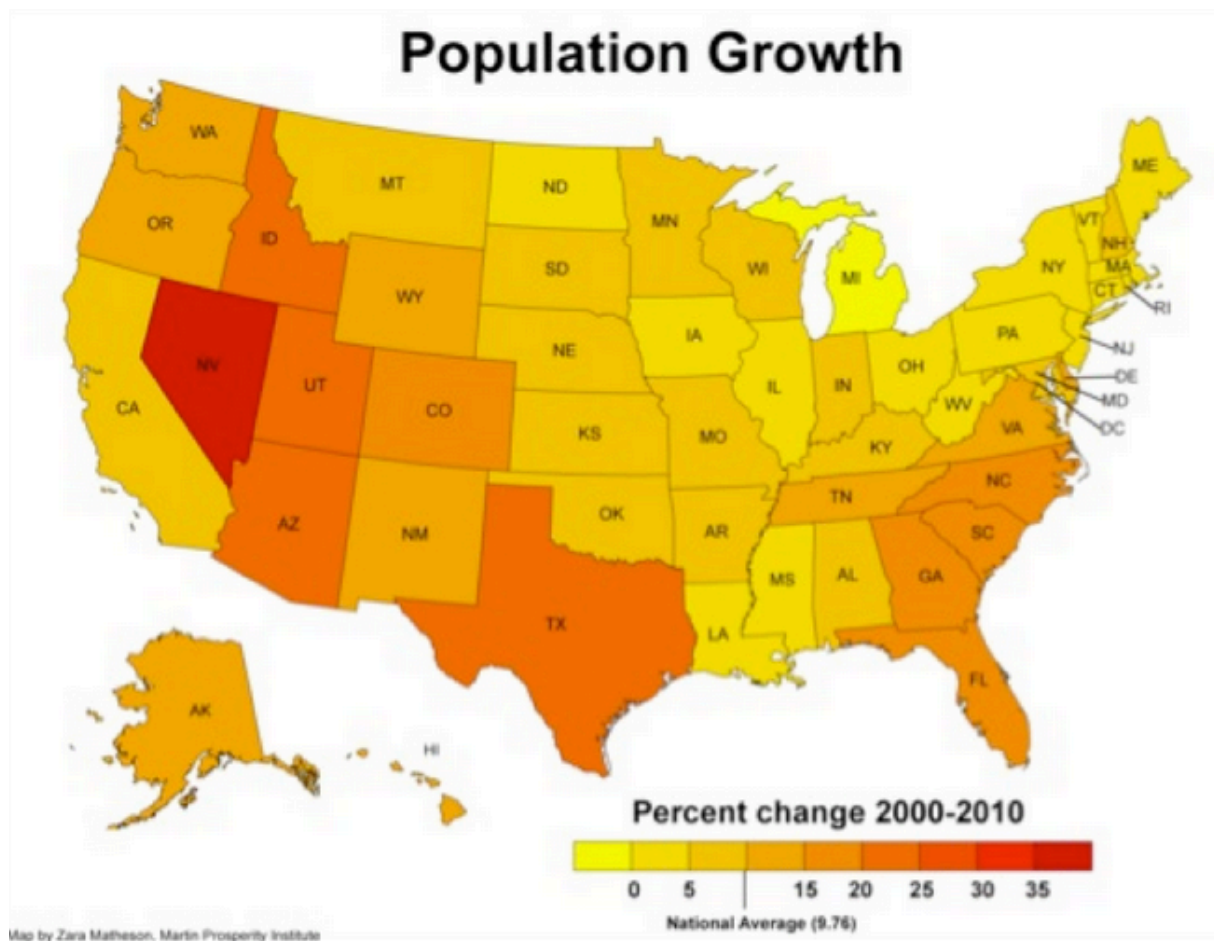
<https://phys.org/news/2020-06-sun-belt-cities-comprise-population.html>

Definition of the Sun Belt Region from Britannica online:

Sun Belt, region comprising 15 southern states in the United States and extending from Virginia and Florida in the southeast through Nevada in the southwest, and also including southern California. Between 1970 and 1990, the South grew in population by 36 percent and the West by 51 percent, both well above the national average. Large in-migration, along with a high birth rate and a decline in out-migration, all contributed to rapid growth of both the Sun Belt's population and manufacturing activities. Improvements in transportation and communications, abundant air conditioning in summer, and a favourable winter climate are attractive forces for retirees as well as workers.

Link to Video for Regional Scale Case Study– Why does the Sun Belt Keep Growing? (5m):

<https://www.youtube.com/watch?v=QAPXizkNtnE>



<https://www.theatlantic.com/business/archive/2011/04/the-state-story-growth-without-growth/73367/>

Population Growth. / Phoenix #2 in People & #3 in Percentage .

According to the Census, Southern, Western Cities Benefit From Population Growth.

April 2, 2020

Walter Unger

The fastest growing metropolitan area in the country last year was Austin. The state capital bordering Texas' hill country region retained its top spot, where the rapid-growth market has reigned throughout the decade. The Austin market rose from the 35th largest at the outset of the decade to the country's 29th largest metropolitan statistical area in 2019. It benefits from its booming technology sector and relative affordability compared to other tech-heavy coastal markets, as well as its unique culture: Keep Austin Weird is alive and well in the "Live Music Capital of the World."

Another tech hub, Raleigh, came in second for population growth last year, driven by migration from primarily the Northeast. Raleigh also benefits from the presence of major universities in the Research Triangle (RTP), including the University of North Carolina, North Carolina State and Duke University.

Phoenix and Las Vegas draw more residents from ever-expensive California cities as well as a large share of immigrants from Latin America. The Phoenix jobs market was on solid footing before the coronavirus outbreak. Las Vegas in particular may struggle through 2020 given the market's exposure to the leisure and hospitality industry.

Rounding out the top five is Jacksonville. This may surprise some, but the city's evolution as a logistics hub due to its growing port, combined with its relative affordability in relation to nearby metros such as Atlanta and Orlando, continue to attract new residents.

<http://walter-unger.com/population-growth-phoenix-2-in-people-3-in-percentage-according-to-the-census-southern-western-cities-benefit-from-population-growth/>

Local Scale Case Study of RTP an industrial cluster in the North Carolina Sun Belt

Situated on the east coast of the United States, North Carolina is just the 28th largest state in the country in terms of area but it has a relatively high population density.

North Carolina may only rank in the lower middle half of the US in terms of size but it more than makes up for those statistics with its population density. The total surface area is 53,819 square miles (139,390 square kilometers) and there is an average of 196 people for every square mile. This makes North Carolina the 15th most densely populated state in the US.

North Carolina has three major Combined Statistical Areas with populations over 1.6 million, as of 2016. This includes:

- Metrolina (Charlotte - Gastonia - Salisbury, North Carolina - South Carolina), pop 2.38 million
- The Triangle (Raleigh – Durham - Chapel Hill, North Carolina), pop 1.8 million
- The Triad (Greensboro-Winston-Salem-High Point, North Carolina), pop 1.5 million



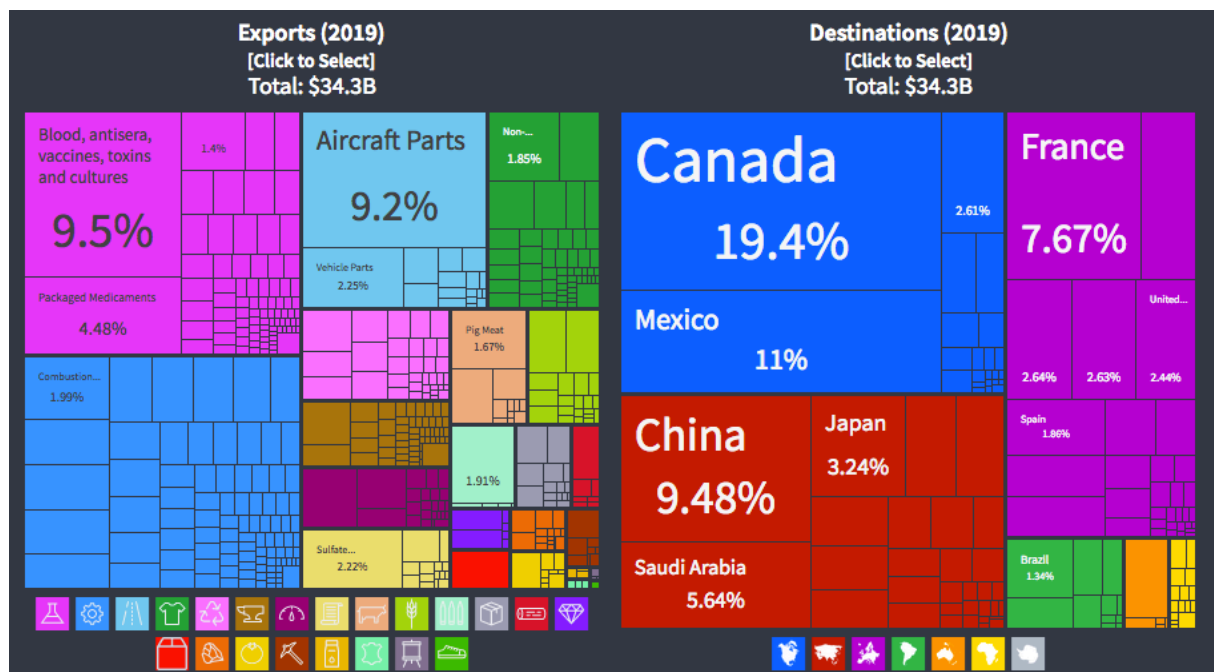
Charlotte is by far the largest city in North Carolina, claiming 827,097 residents out of the total population of over 10 million. While North Carolina has historically been a rural area, the past thirty years have seen a rapid increase in urbanization, like most of the United States. Today, most of the residents of North Carolina live in urban and suburban areas. The most populated counties in North Carolina are Mecklenburg (1,076,837), Wake (1,072,203), and Guilford (526,953) counties.

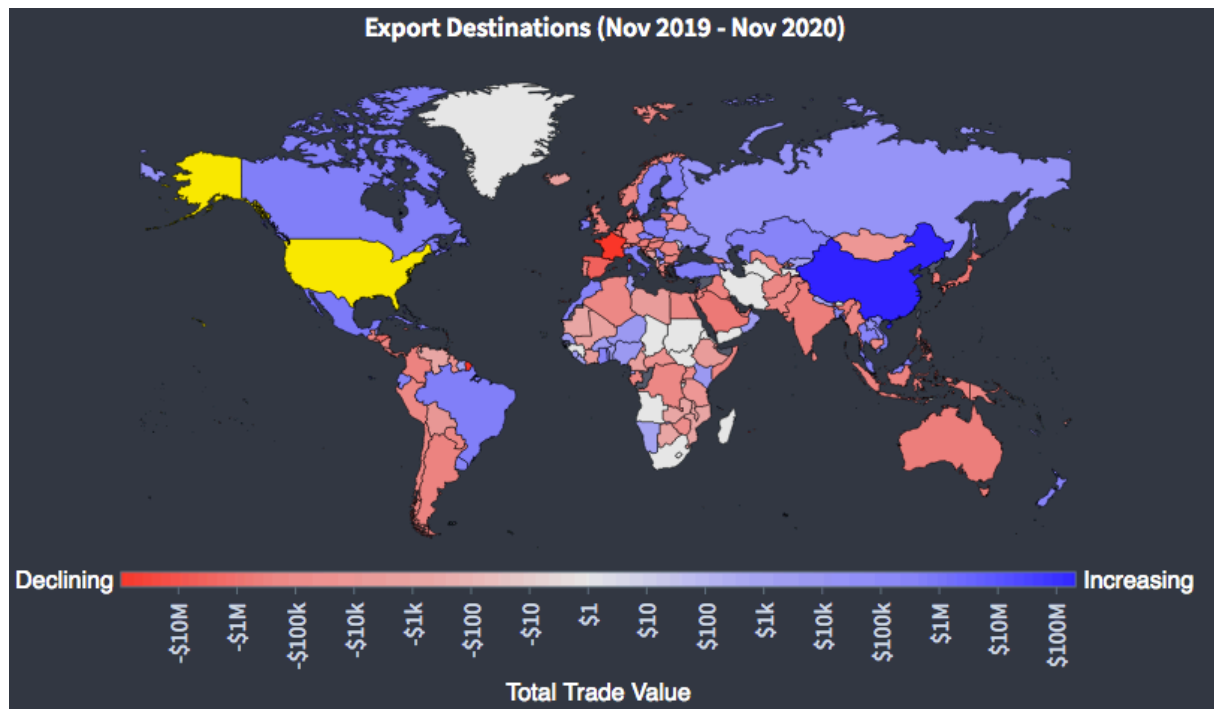
North Carolina has seen a large growth in diversity, mostly fuelled by immigrants from India, Southeast Asia and Latin America. There have also been high numbers of people moving from the Northeastern area of the US, Florida and even as far away as California.

<https://worldpopulationreview.com/states/north-carolina-population>

International Trade date for North Carolina

In 2019, United States' North Carolina exported \$34.3B, making it the 15th largest exporter out of the 53 exporters in United States. The top export destinations of North Carolina were Canada (\$6.63B), Mexico (\$3.78B), China (\$3.25B), France (\$2.63B), and Saudi Arabia (\$1.93B). In 2019 the top import origins of North Carolina were China (\$9.15B), Mexico (\$7.82B), Germany (\$6.01B), Canada (\$3.43B), and Japan (\$3.12B).





https://oec.world/en/profile/subnational_usa_state/nc

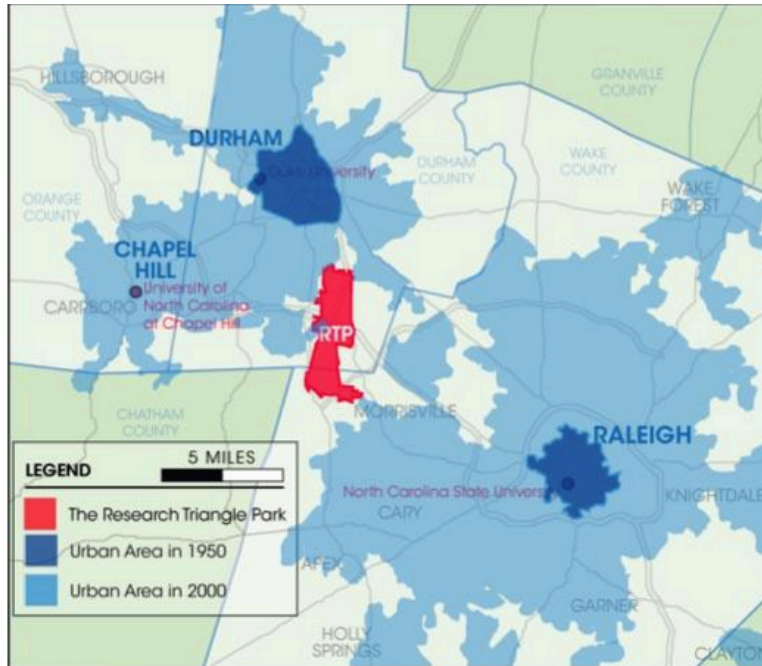


Influence of FDI on employment

<https://www.selectusa.gov/FDI-global-market/states-territories>

Research Triangle Cluster

Early U.S. innovation clusters such as Silicon Valley and Greater Boston emerged from the interaction between the private sector and major universities that received substantial federal research funding, but with little government design. By contrast, **Research Triangle in North Carolina** is the result of early, substantial, and patient public and private support. In recent decades, however, economic development agencies across the U.S. and around the world have devised policy strategies to stimulate the rapid development of regional innovation clusters. Governments are investing in universities, public private research partnerships, skilled workforce training, shared prototyping facilities, and early-stage capital funds for entrepreneurs.



RTP is at the centre of the dynamic Raleigh-Durham region with a population of 1.3 million within the defined metropolitan area and nearly 3 million within a 60-mile radius of the Park.

The "Triangle" from which RTP was named is formed by the geographic location of the region's three highly regarded educational, medical, and research universities: the University of North Carolina at Chapel Hill, Duke University, and North Carolina State University. In addition, RTP draws on the intellectual capacity of a host of other community colleges and higher education institutes. Together, these institutes create knowledge assets and provide a steady supply of trained scientists, engineers, managers, and technicians to the region's workforce.

Link to video about the Research Triangle Park local scale case study (5m):

https://www.youtube.com/watch?v=4MGS0cK_M_M

Local Scale: Case Study of New Mexico's Innovation Clusters

| New Mexico | |
|-----------------------------------------------------------------------|--|
| 2019 Population Estimates | |
| 2,096,829 | |
| <i>Source: Vintage 2019 Population Estimates</i> | |
| Median Household Income | |
| \$ 49,754 | |
| <i>Source: 2015-2019 American Community Survey 5-Year Estimates</i> | |
| Persons in poverty, percent | |
| 18.2 % | |
| <i>Source: 2019 American Community Survey 1-Year Estimates</i> | |
| Educational Attainment: Percent high school graduate or higher | |
| 85.6 % | |
| <i>Source: 2015-2019 American Community Survey 5-Year Estimates</i> | |
| Persons without health insurance, percent | |
| 9.6 % | |
| <i>Source: 2015-2019 American Community Survey 5-Year Estimates</i> | |

US

Census Bureau, 2019

Employment supported by FDI:



Comparison of population growth within a region: New Mexico

The State of New Mexico in the deep south of the United States in the fifth largest state in the US by area. However, it is the sixth most sparsely populated territory in the country, indicating that total population isn't that high. The vast area of New Mexico is filled with mountain ranges, deserts and huge forests. So it's not surprising that, although the total surface area of NM is 121,589 square miles (315,194 square kilometres), there is an average of just 17 people who live in each square mile. Overall, New Mexico is only the 45th most densely populated state in the United States.

Many of the state's residents are crowded into Bernalillo County. Despite being the second smallest country in the state, Bernalillo is home to more than one-third of its residents -- 676,685 to be precise. That's mainly because Albuquerque, the largest city in New Mexico, is within the county borders. The total population of Albuquerque is 559,121, making it the 32nd largest city in the U.S.

There are four other counties in New Mexico with more than 100,000 people -- Dona Ana (pop: 214,295), Santa Fe (pop: 148,686), Sandoval (pop: 139,394) and San Juan (pop: 118,737).



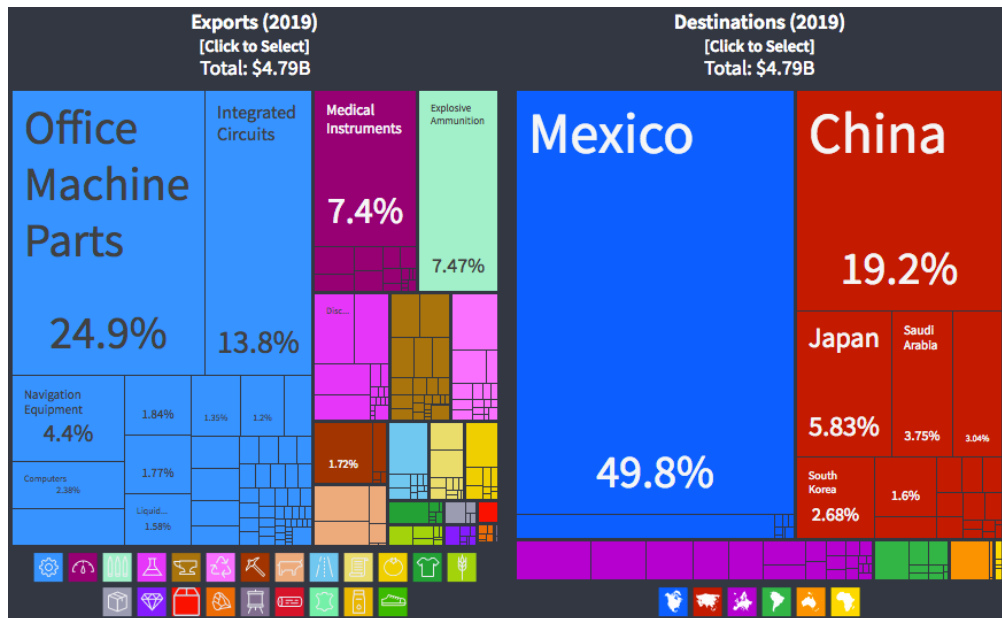
New Mexico has the highest percentage of Hispanics (48%) of any US state, which includes both recent immigrants from Latin America and descendants of Spanish colonists. 83% of the Hispanic population was native-born, while 17% was foreign-born. Most in the state claim a Spanish ancestry, particularly in the northern area of New Mexico. The state is one of four to be ethnically a minority-majority state... About 28% of the population over the age of 5 speaks Spanish at home.

| Rank | City | Population |
|------|------------------------------|------------|
| 1 | Albuquerque | 559,374 |
| 2 | Las Cruces | 102,102 |
| 3 | Rio Rancho | 96,210 |
| 4 | Santa Fe | 83,922 |
| 5 | Roswell | 47,941 |
| 6 | Farmington | 45,258 |
| 7 | South Valley | 40,080 |
| 8 | Clovis | 38,891 |
| 9 | Hobbs | 38,375 |
| 10 | Alamogordo | 31,384 |
| 11 | Carlsbad | 29,158 |
| 12 | Gallup | 21,854 |

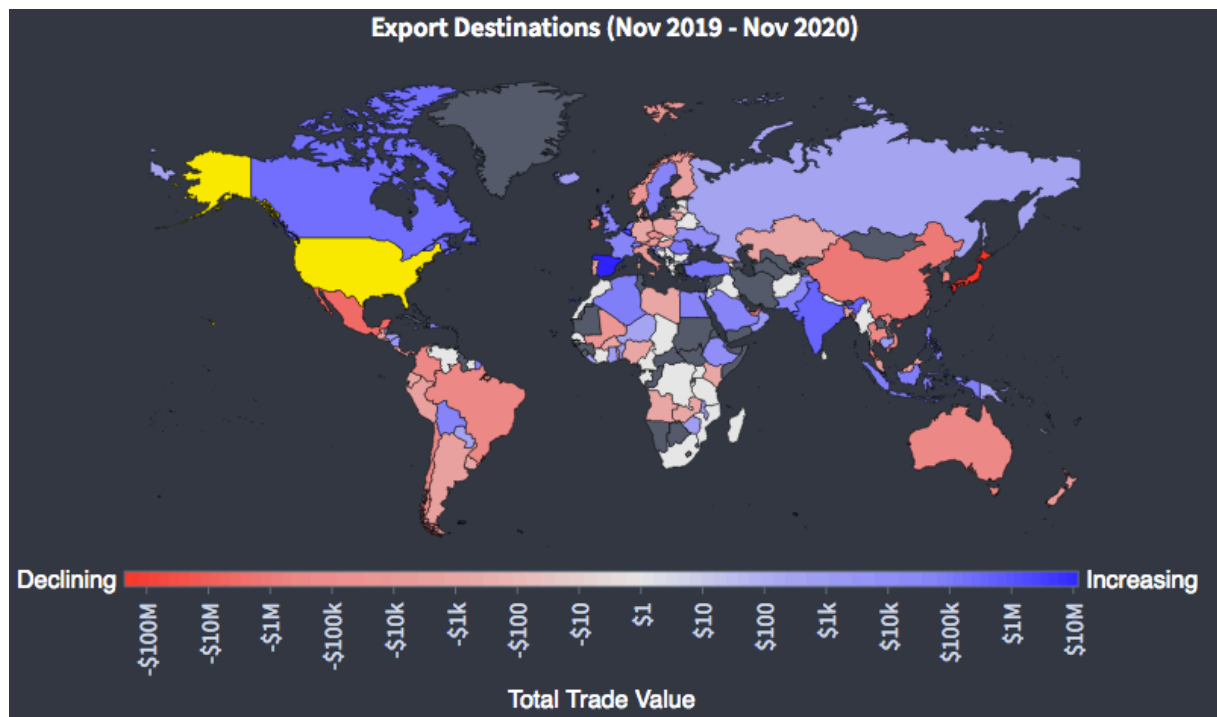
<https://worldpopulationreview.com/states/new-mexico-population>

The New Mexico Economy

In 2019 the top export destinations of New Mexico were Mexico (\$2.39B), China (\$921M), Japan (\$279M), Saudi Arabia (\$180M), and United Arab Emirates (\$146M).



New Mexico Export Destinations



Fastest Growing Exports Destination (Nov 2019 - Nov 2020)

- Spain , \$12M (3.37k%)
- Belgium , \$8.39M (273%)

- India , \$4.52M (91.9%)

Rapidly Declining Export Origins (Nov 2019 - Nov 2020)

- Japan , -\$228M (-97.9%)
- Mexico , -\$84.5M (-34.8%)
- China , -\$41.6M (-72.2%)

Innovation Clusters in New Mexico

New Mexico's predicament a decade ago was that the state had one of the highest concentrations of scientists in the United States and received \$6 billion in federal research dollars a year that went to its universities and major national laboratories, including Sandia National Laboratories, Los Alamos National Laboratory, and the Air Force Research Laboratory. Yet New Mexico had produced few technology start-ups and high-tech industries. It also had one of the nation's highest unemployment rates.

Ambitious initiatives since then have spurred growth in several innovation clusters. In 1999, Sandia inaugurated a science park in Albuquerque for commercial offshoots, the first of its kind for a U.S. national laboratory. Several years later, the state government developed a technology and economic-development roadmap. The plan called for developing clusters in energy and environmental technologies, aerospace, film production, bioscience, information technology, and nanotechnology. The goal was to create new industries and "bridge the gap between federally funded basic R&D and the commercial sector," explained Thomas Bowles, science advisor to then-Gov. Bill Richardson.

New Mexico invested in infrastructure, such as a supercomputer center and a \$250 million "space port" in southern New Mexico that would serve as a base for a future commercial space industry. It greatly expanded science and technology education at the K-12 level and at universities. The state even made direct-equity investments in private firms and in a small jet manufacturer, Eclipse Aviation.

The New Mexico Computing Application Center illustrates the state's use of public-private partnerships to build infrastructure for a 21st century knowledge economy. The center's 172-teraflop super computer, called Encanto, is billed as the fastest public-use computer in the world and is a collaborative effort by the state, Sandia, Los Alamos, the University of New Mexico, New Mexico State University, and the New Mexico Institute of Mining and Technology. Los Alamos's advanced simulation and computing program, which created a new hybrid supercomputer called Roadrunner that can perform 1,000 trillion calculations a sector, is a major contributor.

Economic development is the super computer's express mission, explained Mr. Bowles. Encanto provides R&D support to New Mexico businesses and is an asset for attracting large corporations to the state.

While not all of New Mexico's investments have paid off, a number of these initiatives have changed the dynamics in the state economy.

<https://www.nap.edu/read/13386/chapter/9#437>

Local Scale case study: Spaceport
SpinLaunch announces expansion at Spaceport America, to hire 59 more workers

The company is developing and testing a mass accelerator with the aim of launching satellites into space orbit — using kinetic energy instead of rockets.

Damien D. Willis | Las Cruces Sun-News

- The project will be supported with \$4 million in LEDA funds, paid incrementally
- The California-based company broke ground at the spaceport in May 2019
- The expansion could mean the addition of 59 new workers at the site
- Sierra County is the fiscal agent for the project; is expected to consider the LEDA ordinance soon.

SPACEPORT AMERICA — A company developing and testing a mass accelerator with the aim of launching satellites into space orbit — using kinetic energy instead of rockets — is expanding at New Mexico's Spaceport America, Cabinet Secretary Alicia J. Keyes announced Tuesday.

Despite an overcapacity of launch sites in comparison to demand, there are 11 commercial spaceports in the United States, and at least another six under consideration. While a spaceport can bring economic growth to a region, it requires significant and sustained investments of public funding in an uncertain and volatile market

SpinLaunch signed a lease at Spaceport America in 2019 and has since invested in test facilities and an integration facility. The company is now set to hire an additional 59 highly paid workers and complete the build of its suborbital centrifugal launch system for its next phase of development, according to EDD.

SpinLaunch expects to start test launches in New Mexico in 2021. The news comes just days after the facility's anchor tenant, Virgin Galactic, saw its test flight Saturday end prematurely as the spacecraft's rocket motor failed to ignite — then glided down safely to its landing site in southern New Mexico. It's unclear how soon another window will open for Virgin Galactic's next attempt at a powered flight to space.

The concept behind SpinLaunch is a novel centrifuge system that rapidly spins a vehicle around on the ground until it reaches hypersonic speeds. It then releases the capsule like a catapult to hurl to the edge of space.

It's a cutting-edge concept that, if successful, could radically change the way small satellites are launched in the near future. It could cut expenses to a fraction of today's costs as the world prepares to place tens of thousands of tiny, shoebox-sized "cubesats" into low Earth orbit

The state of New Mexico, through the Economic Development Department's LEDA job-creators fund, is supporting the expansion with \$4 million, which the department said will be paid out in phases as SpinLaunch reaches economic development benchmarks.

The company is expected to spend \$46 million of private money in construction and expansion over 10 years, the department projects, and is expected to generate an economic impact of \$239 million, statewide, over the same period.

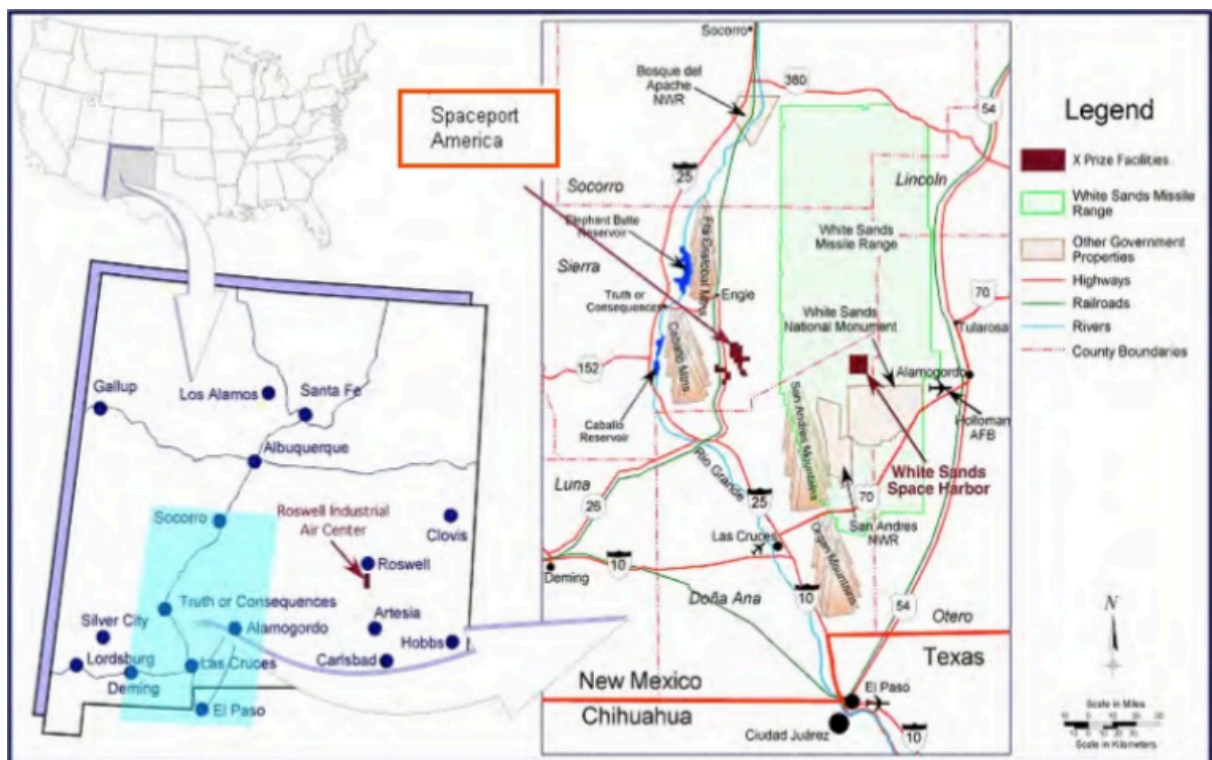
<https://eu.lcsun-news.com/story/money/business/2020/12/16/spinlaunch-spaceport-america-announces-more-jobs-expansion/3911733001/>

For a more critical view of the spaceport, see this video (2m):

State still waiting for Spaceport America to take off

https://www.youtube.com/watch?v=8a7wkpzn78E&feature=emb_logo

Spaceport America in Sierra County, Southern New Mexico between Las Cruces and Truth or Consequences



<https://science.thewire.in/spaceflight/spaceport-america-new-mexicos-protracted-hope-for-a-revived-economy/>

International Scale: Tensions in international cooperation

Survey of USMCA

The USMCA was negotiated under the Trump Administration, but the idea of a replacement for NAFTA dates back before President Trump's presidential term. Over the years, NAFTA had frequently been blamed for the export of U.S. manufacturing to Mexico and the accompanying loss of jobs and suppression of wages among U.S. workers. In 2008, then-presidential candidate Obama had pledged to renegotiate NAFTA in the interests of American workers but later declined to do so during his administration.

As a candidate in the 2016 election, President Trump campaigned on renegotiating NAFTA in order to try and get more favourable terms for the U.S. The USMCA began to officially take shape when the Trump administration sent the required 90-day notice to Congress that he was going to begin talks to renegotiate NAFTA. The talks officially began on August 16, 2017 and ended on September 30, 2018.

First, the Mexican Senate ratified the deal on June 19, 2019, and approved amendments to it on December 12, 2019. Then, on December 19, 2019, the U.S. House of Representatives passed legislation to approve the USMCA. The legislation passed the Senate in January 16, 2020, and on January 29, President Trump signed it into law. Finally, the Canadian Parliament ratified the treaty on March 13, 2020.

Several difficulties emerged before and shortly after the treaty went into effect on July 1, 2020. First, on May 31, 2019, President Trump said starting June 10, the U.S. will impose a 5% tariff on all Mexican imports. He threatened this increase in tariffs unless the Mexican government took sterner measures to lower the number of Central American asylum seekers entering the U.S. from Mexico. A deal was reached to avoid the tariffs on June 8, 2020.

On August 6, 2020, President Trump announced he would reinstate tariffs on Canadian aluminium, which had originally been put in place in 2018. The Canadian government responded, saying it was planning to place equal tariffs on U.S. aluminium products. On October 27, the same day the Canadian government was expected to unveil its retaliatory trade measures, President Trump suspended the tariffs, retroactive through September 1. However, the office of the U.S. Trade Representative said that the U.S. may reinstate the tariffs if aluminium imports from Canada "exceed 105 percent of the expected volume in any month".

Important Provisions of the USMCA

Per the Office of the United States Trade Representative, the USMCA is a "mutually beneficial win for North American workers, farmers, ranchers, and businesses." NAFTA aimed to create a free trade zone between the U.S., Canada, and Mexico, and the USMCA utilizes NAFTA as a basis for a new agreement. While the USMCA has a broad impact on trade of all kinds between the three named nations, some of the agreement's most important provisions include the following:

1. Dairy and Agriculture

The USMCA will increase U.S. farmers' access to the Canadian dairy market by raising the amount of U.S. goods that can be exported to Canada tariff-free. This will allow the U.S. tariff-free access to up to 3.6% of the Canadian dairy market. The amount of tariff-free exports allowed for some poultry products will also be expanded.

2. Automobiles

One of the most significant portions of the USMCA stipulates new trade regulations for automobiles and automotive parts. Under NAFTA, cars and trucks with at least 62.5% of their components manufactured in one of the three participating countries could be sold free of tariffs. The USMCA increases that minimum requirement to 75%. At the same time, the USMCA stipulates minimum wages for workers in the automotive manufacturing process: 40-45% of the work done on eligible vehicles must be accomplished by workers earning at least \$16 (USD) per hour.

3. Intellectual Property

The USMCA increases intellectual property protections. Among other changes to trade policy, the new agreement extends the copyright period to 70 years beyond the life of the creator, an increase of 20 years in some cases. The USMCA also addresses new products that weren't around when NAFTA was written in the early 1990s. The USMCA prohibits tariffs on digital music, e-books, and other similar digital products. The agreement also establishes copyright safe harbour for internet companies, meaning they can't be held liable for copyright infringements of their users if they make good faith efforts to stop infringement.

4. Sunset Provision

Unlike NAFTA, the USMCA will expire after 16 years unless it renewed, and all three nations are required to come together for a joint review after 6 years.

5. Labour

The USMCA sets up an independent investigatory panel that can investigate factories accused of violating workers' rights, and stop shipments from factories found to be in violation of labour laws. In addition, Mexico says it will enact a wide array of labour reforms to make it easier for workers to unionize, and stop violence and other abuses of workers. These provisions are meant to achieve two goals: to improving working conditions for Mexico's workers and create a more even playing field between U.S. and Mexican factories because Mexican wages are likely to rise.

<https://www.investopedia.com/usmca-4582387>

Comparison of USMCA vs NAFTA - USMCA vs NAFTA, explained with a toy car (6m) :

https://www.youtube.com/watch?v=371CRxnGkA8&feature=emb_logo

Joe Biden could find Mexico a truculent neighbour

Mr Trump's threats to withdraw from Nafta and impose sanctions on Mexican exports unless it cracked down on migrant flows strained relations at times, but Mr López Obrador refused to engage. Despite Mr Trump's insults towards Mexicans and insistence that the country pay for his border wall, Mr López Obrador broke his self-imposed ban on foreign travel to meet the US president at the White House. By contrast, Mexico's president took six weeks to congratulate Mr Biden on his election victory, eventually sending an uneffusive letter in which he reminded the president-elect he must respect Mexican sovereignty. Jeffrey Davidow, a former US ambassador, has likened Mexico's at-times prickly relationship with Washington to that of a porcupine facing a bear. "With Biden, López Obrador intends to be a porcupine again — he didn't show his spines with Trump, but he's going to now," said Denise Dresser, a political scientist and professor at Mexico's Itam university. "It's as if López Obrador were pre-emptively trying to create a straw man to fight with . . . using anti-Americanism and nationalism to score political points in Mexico, particularly in an election year," she added. Mexico holds midterm elections on June 6.

US experts monitoring Mexico's compliance with the tough labour provisions of the USMCA free trade treaty issued a stark warning before Christmas: "No more business as usual." Although they were referring to Mexico's slow progress in implementing commitments under the NAFTA replacement, the phrase could just as well describe bilateral relations as Joe Biden enters the White House. Strained security co-operation will loom high on the agenda between the neighbouring countries, overshadowing their \$600bn trade relationship, as will the two leaders' diametrically opposed views on climate change and renewable energy. Mexico's worsening business environment — with independent regulators and respect for contracts under threat from President Andrés Manuel López Obrador — promises to pile on the pressure. "A Biden presidency could be quite uncomfortable for Amlo," said one member of the US transition team, using the Mexican leader's nickname. Mr López Obrador kept things sweet with Donald Trump in exchange for little US "interference" with his domestic agenda, the person added. Mr Biden's approach will be more institutional and "there'll be no Jared for anyone to call". The outgoing president's son-in-law and senior adviser, Jared Kushner, was a frequent interlocutor with Mexico on migration and development co-operation.

Tensions in the energy sector, where US firms have big investments, have also been rising for months as Mexico has sought to clamp down on permits, curb renewable energy generation and favour its state oil and electricity companies, Pemex and CFE. Mr López Obrador is a fossil fuel champion, whereas Mr Biden wants to make the US carbon-neutral by 2050. In a January 11 letter to their Mexican counterparts, outgoing secretary of state Mike Pompeo, energy secretary Dan Brouillette and commerce secretary Wilbur Ross warned that "hundreds of millions of dollars" of US public investments in Mexico could be at risk as a result of Mexican policy. "While we respect Mexico's sovereign right to determine its own energy policies, we are obligated to insist that Mexico lives up to its USMCA obligations, in defence of our national interests, which include investments funded by the US taxpayer," the letter warned. Labour relations including collective bargaining agreements and union rights, preconditions for securing US Democrats' support of the USMCA trade deal, are expected to provide more friction. "I think it's only a matter of time before the first

case is presented [against Mexico under USMCA],” said Juan Carlos Baker, managing director of Ansley Consultores, who helped negotiate the revised treaty as deputy foreign trade minister. “The message could not be more ominous.” Vice president-elect Kamala Harris voted against the USMCA when she was a senator for California, and Mr Baker expected that the two countries, whose economies are closely intertwined, “are going to clash very, very quickly”. Mr López Obrador has already scrapped a partially built US brewery and renegotiated gas pipeline contracts he considered too onerous. Now he is taking aim at Mexico’s independent regulators, which he wants to amalgamate with ministries, something experts say could infringe on the new trade pact.

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