



North America Works

IN KANSAS CITY

2008 Summary

Kansas City, the Mid-Continent Corridor and the World in 2030

“Trade is a manifestation for human freedom; it is a moral force for good. Trade in goods is trade in ideas.”

With these words, Brian Crowley, President, Atlantic Institute for Market Studies, opening presenter at North America Works IV, set the tone for the conference.

A substantial number of North Americans (Canadians, Americans and Mexicans) at one time believed trade to be the bedrock of growth, expansion and understanding. But, Crowley said, in this era, at this time in history, too many are skeptical.

With nearly 200 government and business leaders in attendance at the fourth annual North America Works conference held in Kansas City, Missouri, Crowley challenged the audience to think of the benefits of trade beyond exchanging goods and services and learn from the ideas of people around the world.

“Trade generates prosperity, but more importantly, it challenges us to be more than we are and to learn from what others do better than we do,” he said. “Exposure to trade, as evidenced by the relationship between imports and exports and operating performance, has been an important component of the success of U.S. manufacturing industries.”

In spite of the increasing recession, production is up, investment is healthy, share of global manufacturing is stable and American exports are booming. “Free trade is how we learn about and participate in



the innovations that are washing across the globe and that are the cornerstone of our future prosperity,” Crowley said. “These concepts are what Kansas City needs to focus on as it strives to be a global inland port by 2030.”

Building an Efficient and Secure North America Freight Transportation

“Enormous opportunities lie ahead. Enormous problems exist,” said Stephen Blank, Co-Chair, Distinguished Professor of Canada-U.S. Business and Economic Relations at Washington University, as he opened the panel discussion evolving around North America’s Freight Transportation System.

“In the 1980s and 90s more freight moved more efficiently; after 2000 this efficiency changed,” Blank said. “The capacity of our freight highway and rail network has not kept pace with the growing demand for freight transportation.”

Primary existing problems include:

- Congestion – new volumes of goods, especially from Asia
- Failure to complete the North America Free Trade Agreement (NAFTA)
- Delayed maintenance on infrastructure
- 9-11's slow down due to methods of transportation security.

The primary problem is that the three countries have illustrated a failure to “think in North American terms,” Blank said.



Randy Garber, Partner, A.T. Kearney Inc., specified additional complexities:

- Freight moving longer distances, longer transit times
- Managing internal and external relationships
- Complying with more stringent customs and trade regulations
- Dealing with customer requirements
- Monitoring supply chain events across the ecosystem.

“The economic downturn now may cause us to take action; we can no longer afford to neglect infrastructure projects,” said Carlos Godinez, General Manager, Mexico Division – International Business, Schneider National Inc. “While great progress has been made in Mexico, there is still a lot of work to do to improve the country’s competitiveness.”

Presenting the Mexican overview and perspective of the North American Freight Transportation System, Godinez said while Canada has taken its export share from 9 percent to 16 percent, Mexico has stayed the same. According to the World Economic Forum 2006, investment has been going down in only six countries in the world, and Mexico is one of them.

What will make Mexico’s trade and transportation more efficient? Improving the roads; taking advantage of a new airport; continuing to take its ports to optimum capacity; and pre-clearing freight will make a difference.

Collaboration across all of North America at all levels, from businesses to governments, is a key element, Godinez said. And the time to start that collaboration is now.

Giles B. Legault, Chartered Institute for Logistics and Transportation-North America, said, “The continued free flow of commerce is essential to the world economy.”

But a paradigm exists: trade expansion has increased the overall standard of living, yet security is the new nexus of trade and transportation.

“The question is: how do we enhance security while ensuring the smooth flow of legitimate international commerce, which is essential to our prosperity?” he said.

There are three elements of security:

1. It is risk-based, not one-size-fits-all
2. It is applied through the supply chain by securing flow of goods and infrastructure
3. It must be smart. Use of information technology and innovation are paramount.

Roger W. Woody, Supply Chain Strategy, Embarq Logistics and Chairman of the Council of Supply Chain Management Professionals, commented that the opportunities that North America Works presents for leaders in various industries “energize each other and get North America back on track.”

“The infrastructure system has not adapted to our needs– Americans spend 3.5 billion hours a year stuck in traffic,” he said.

Woody suggested that concentrated tactics should fall on segregating truck traffic from regular traffic by finding a way to reduce costs in time and financial impact. The panel agreed on two major points: fix what is broken; and plan for trade and transportation 30-50 years out.

It is important to be thoughtful about the long-term and view it with eyes wide open, but address short-term issues now.

Good Capitalism, Bad Capitalism

Robert Litan, co-author of “Good Capitalism, Bad Capitalism,” a book completed in 2007 and translated into eight different languages, addressed the strengths and “Achilles heel” of capitalistic societies, while touching on the current economic crisis and the new U.S. administration.

Litan, Vice President, Research and Policy, Ewing Marion Kauffman Foundation, described what capitalism looks like by breaking out four kinds of capitalism.

1. Oligarchic capitalism – the worst kind where there is a huge concentration of wealth in a country, but the country keeps it.
2. State directed – true in parts of China, Southeast Asia and India. The state does a good job of picking winners and losers. But the Achilles heel is that once the state catches up with others, it can’t win by copying.
3. Managerial or Big Firm capitalism – Japan and Western Europe fall into this category. They are great at mass production but weaker in radical innovation.
4. Entrepreneurial capitalism – allowing creativity sometimes unmanaged creativity.

Capitalism means recognizing private property. Of the 190 countries, only two today are not capitalistic. “The best way for a country to achieve a level of success is to have some blend of big firm and entrepreneurial capitalism,” Litan said. “The right mix of economics and politics is essential for these circumstances.”

Litan spoke about the current economic crisis in the United States and the affect on other countries.

“How do we get out of it? We do it by new firms forming and powering the economy. Of the top 30 firms on the Dow Jones list today, 18 were started during a Bear Market,” Litan said. “Companies that were formed in garages often are the giants in the industry. It will happen again even in the recession,” Litan said.

Current Entrepreneurial Development along the Mid-Continent Corridor

The panelists of this session are the entrepreneurs of global development. They represent companies with specialties in goods, services, technology and more.

Primarily, however, these entrepreneurs epitomize businesses that separate themselves from similar ones in the industry. They stand out. That quality, panelists said, along with the talent of developing initiatives that benefit the community is critical to entrepreneurial success.

Gustov Zentner, President, InterPOC Inc., said his company, a Canada-based corporation, supports companies that are interested in developing or enhancing global market penetration strategies. Through evaluation processes, InterPOC builds strategies to help small- and medium-sized companies implement global ideas and establish corporate long-term goals.

InterPOC’s system establishes a network, integrates, promotes itself and provides additional support to its clients. The system also establishes frameworks to attract new business, assists in business growth, and helps improve traffic while diminishing high congestion.

For Hector Mora, Director, Grupo Hemas, entrepreneurship meant transitioning from being the Captain of a Mexican port to working on developing a device that tracks shipping containers from initiation to destination. He started Grupo Hemas with Kansas City associates in March 2008.

“With our system, a company can see when the product is picked up, where it is traveling, where the



driver stops and when the product has arrived in his client's facilities," Mora said. "It's a just-in-time system with strong security structures."

Grupo Hemas works with clients in various cities in the U.S. and in Mexico. "Soon we will go to South America...Brazil, Peru," he said. "It takes independence, initiative, studying the business and building relationships, and it means becoming recognized for running a business with honesty and integrity."

Darryl Gershman, Vice President/Owner, G2 Logistics Inc., also focuses on integrity. With two locations, one in Winnipeg, Manitoba and another in Lighthouse Point, Florida, they continue their basic goal: build relationships, help customers cut costs and gain service.

For Dan Ward, Vice President and General Manager of the International Market Division of Western Forms, the focus on entrepreneurship revolves around the customers, "we can only be as successful as our customers are," Ward said.

Western Forms, which specializes in aluminum forms and accessories in the concrete forms industry, was started by Ward's father in 1955. The company has gone through several transitions, but today Western Forms works out of four states in the U.S., and its largest outlet is in Mexico.

Developing Global Strategies: Asia and Beyond

Know your competitor, know yourself. Look to growth even in gloomy economic times. Know what is unique about the product you make or the service you offer. Be aware of what works and go with the grain of the universe.

These are simple business statements. Yet, for five panelists presenting information on the Asian market, these strategies are invaluable.

Benny Lee, Chief Executive Officer, Top Innovations Inc., is an American citizen whose life and initial working years started in Taiwan. From 1969-79, Lee worked in Taiwan for American companies. In 1979, he started his own company and in 1995, he came



to the United States and started Top Innovations Inc. Specializing in steam cleaning products for floors, garments and accessories. Top Innovations focuses on a product line that has a competitive edge.

Lee's philosophy of change and challenge has moved his company forward. In fact, a merger of his company with a larger company increased his business by 30 percent.

His advice is:

- Know which products have export potential
- Design a product with innovative features
- Consider regulatory requirements during product development: legalities, export, import
- Find the right partner and develop a personal relationship.

Chris Gutierrez, President, Kansas City SmartPort, explained that Kansas City's central location and its transportation networks and corridors make it an excellent inland port.

"The fact that no matter which port importers are using, Kansas City can be reached by rail and truck makes it an efficient, cost-effective destination," Gutierrez said.

Additionally, Kansas City's large distribution facilities make this an attractive inland port. "We are America's inland port solution," he said.

Dale Jieh, Director General, Taiwan Economic and Cultural Office in Kansas City, also focused on geographic convenience.

"I sell the advantage of this city to Taiwan. Taiwan companies are much globalized; they want to move

their production lines from region to region or country to country. If transportation costs influences overall costs, they will move,” Jieh said.

Regarding transportation costs, Kansas City is ideal. Jieh’s major job is to develop trading ties with Kansas City. Garmin, for example, is headquartered in Kansas City, yet most of Garmin’s programs are manufactured in Taiwan because it is cost effective to ship them to Kansas City.

“We will see more and more Taiwanese manufacturing move here. As long as we take the factors of cost and market to the companies, it will be important to them. They can cut costs, make money and prevail,” Jieh said.

Patrick Ottensmeyer, Executive Vice President and Chief Financial Officer, Kansas City Southern (KCS), said the KCS strategy focuses industry changes.

“California ports are no longer the answer,” he said. “The environmental obstacles may be insurmountable. In fact, the Los Angeles Port is now being referred to as the ‘diesel zone of death.’ The Port of Lázaro Cárdenas in Mexico holds the answer.”

Focusing on rail efficiency, Ottensmeyer cited:

- A single intermodal train takes 280 trucks off the highway
- Railroads are three times more fuel efficient than trucks
- Railroad fuel efficiency has improved 80 percent since 1980.

“With the advantages that Chris (Gutierrez) mentioned in Kansas City, the access, storage facilities, Foreign Trade Zones, not to mention the new CenterPoint-KCS Intermodal Center in Kansas City, the Asian market realizes distinct advantages,” Ottensmeyer said.

Does North America Work? An Agenda for the New Administration

On Nov. 4, the United States citizens chose Senator Barack Obama as its next president.

Three days later, Nov. 7, “Kansas City Star” Political Correspondent and KCUR Public Radio Talk Show Host Steve Kraske welcomed panelists from the three North

American countries to discuss what they saw as the potential impact of that election.

The panelists were asked: Will the new administration help make North America work?

“It can work,” said Rick Van Schoik, Director, North America Center for Transborder Studies, Arizona State University. “But, as a result of a recent conference involving students, faculty and civic leaders, several major actions need to take place.”

Among these are:

- Leaders of the three North American countries must come together every year to update and work on security partnerships
- It is important to develop a North American Border Management Agency (a group that would actually work together on security issues for all of North America)
- Secretaries of all three countries must get together to engage in serious North American transportation discussions involving airports, seaports and landports
- North American leaders must address the issues of greenhouse gasses, the greening of the atmosphere is of major importance
- A cross-border cooperation index must be established.

The North America Center for Transborder Studies, based at Arizona State University, embodies the concepts of global engagement, social embeddedness and societal transformation in all of its projects and initiatives by linking universities, government, the private sector and civil society.

“The Transborder Studies project is a driver of change as it addresses the importance of commerce to all three countries,” Van Schoik said.



While the project is to be commended, Patrick Quinn, Co-Chairman, U.S. Xpress Enterprises Inc., and Past Chairman of the American Trucking Associations, suggested that many challenges lie on the horizon. Quinn said it will be necessary to look at transportation over the next 30-50 years, not just what may transpire a few years from now.

"We have to have a transportation policy that works in tandem with our energy policy and one that promotes highway safety," he said.

Solutions must be environmentally safe and minimize the wasteful use of our already dwindling natural resources. The 2009 Highway Bill, Quinn explained, is a watershed moment in the history of transportation.

"This is the first time in history that I can remember that a presidential campaign addressed infrastructure as an economic stimulus package," he said.

Ron Lemieux, Minister of Transportation, Manitoba Ministry of Transportation, Canada, said that populations that do understand the situations and connect the dots will address the infrastructure issues in a proactive way.

Concentrating on the crumbling infrastructure is imperative to making North America work, Lemieux said.

"Let's immediately put together a strategy that will unite and involve all three countries, one that is a true partnership between the United States, Canada and Mexico," he said.

Jesus Rodriguez, Director for Canada, Secretaria de Relaciones Exteriores, Government of Mexico, and Lemieux believe there is a major "but" in the question: Is North America working?

"Yes, but. . . and that is a big but. . .," Rodriguez said. "Governments need to improve the border crossings and enhance border procedures to avoid trucks being delayed so long at the borders causing financial losses to companies,"

Both believe that building relationships and friendships that develop into partnerships can make North America work.



Importance of Trade, Transportation and Infrastructure

Senator Christopher "Kit" Bond, Friday's keynote speaker, focused on improving the global economy through increasing trade opportunities, investing in a better transportation system and building on the success of previous North America Works conferences.

Speaking to the North America Works audience immediately after the United States' Nov. 2, 2008 election, Bond said he would urge President Elect Barack Obama and Congress to build on the success of the free trade agreements by opening new markets and creating opportunities for U.S. workers.

Bond stressed that 15 years after the signing of the North American Free Trade Agreement (NAFTA), trade between the U.S., Mexico and Canada increased by more than 200 percent. And despite the housing market collapse, the U.S. economy continued to grow due to trade.

Bond said that this year, U.S. exports totaled \$850.5 billion, which provided a huge economic stimulus and kept America's economy growing.

"Stalling free trade agreements to Colombia and South Korea, which were blocked during the last Congress, will send the wrong message to the world," Bond said. "These kinds of actions isolate the U.S. economically and send a message to other countries that the U.S. is unable to compete in a global economy."

As the Ranking Member of the Senate Appropriations Committee, which funds transportation issues,

Bond believes that America's lack of investment in roads, bridges, river navigation and other public improvements is taking a huge toll on the U.S. economy.

"The stress to our infrastructure will grow with the growth of our population, which is projected to increase by 50 percent in 50 years. And all projections tell us that truck freight will double in the next 25 years," he said.

Bond contends that constructing a new infrastructure framework will alleviate congestion and facilitate future economic growth.

As Bond closed his remarks, he stressed that it is important for all state, corporate and municipal leaders to be aware of the global economy and be actively involved in international matters.

Greening the Mid-Continent Corridor

From city government officials to environmental researchers, panel members echoed the philosophy that North America needs to be a good steward of its resources and cooperate in the greening of the corridor.

City of Kansas City, Mo., City Councilmember Jan Marcason, 4th District, is on the Transportation and Infrastructure Committee.

"I went to China last spring and studied their green initiative. It taught me a lot about what greening a city can do," Marcason said.

Dennis Murphy, Chief Environmental Officer, City of Kansas City, Missouri, who moderated the panel said, "Our current elected officials – with nine of them coming to these offices for the first time – are really a green-thinking group. Kansas City is the first city in four surrounding states – Kansas, Iowa, Missouri and Nebraska – to adopt a plan for a green movement."

For Marcason, the progressive endeavor is logical. When a green initiative is in place, tourism expands and progressive companies want to come to the city to see what it has done. These companies look upon green cities as economic leaders.

While Kansas City views the "going green" endeavor

from a city aspect, Frank Conde, Director of Special Projects and Communications, NASCO, said that same concept is important up and down the entire I-35 corridor.

"That's the power of the corridors," he said.

"Standards for ozone are getting more severe. Not only do we have to test the security of cargo movement through the corridor, but we at NASCO want to have the ability to measure how this movement affects the ozone."

NASCO is working with the rail and trucking industries to improve air quality.

Rodolfo Lacy, Research Coordinator of Energy and Environment, Mario Molina Center for Strategic Studies of Energy and Environment, explained that the center analyzes ozone sources, measures airborne aerosols and studies the affects of sulfite and organic matter along with other environmental aspects.

Benjamin Teitelbaum, Special Assistant, Partnership Development, Commission for Environmental Cooperation, said that Corridor organizations along the borders of all three countries provide forums for building and enhancing NAFTA relationships and discussing issues on a regional basis.

It is imperative that the corridors set up a common framework to define measures and assess the environmental footprint of Corridor activities.

Teitelbaum promoted six activities:

- Support the co-location of transportation systems, pipe and power lines and other human infrastructure
- Support the greening of Ports of Entry
- Promote intermodal transportation and enhance support for the use of rail, waterways etc.
- Accelerate the use of sustainable sources for fuel and energy
- Reduce the carbon footprint associated with trade and transportation
- Enhance the competitiveness of North America.

Whether it's reducing the thousands of old trucks with emissions that have a global affect in the atmosphere, or finding new methods to clean up the environment, , panelists agreed the greening of the corridor needs to be an immediate priority.

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Stephen Blank, North America Works Advisor

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Jo Anna "Jody" Edgerton
Director, International Affairs and Trade Office

414 E. 12th St.
Kansas City, Missouri 64106 U.S.A.
+1 (816) 513-3526
Fax: +1 (816) 513-3524
email: international_office@kcmo.org
www.kcmo.org/international