

North American Integration: Back to the Basics

by Stacey Wilson-Forsberg

Executive Summary

As discussions about the future of North America continue, it is becoming clear to many of the actors involved that focusing on indefinite long-term options and scenarios for the region may be too visionary for this particular time. FOCAL's third policy discussion paper on this theme draws on current literature and analysis collected at recent conferences and roundtables, to step back from the long-term and look at such basic questions as: what is North American integration?; who wants North American integration?; what issues potentially drive the integration agenda?; whose decision is it to integrate?; and what role do the asymmetries between the North American partners play in the integration process?

The paper concludes that, at the moment, there is no overwhelming common interest to steer North American integration beyond trade and investment. No clear and well-articulated vision or plan has emerged in which all three countries would reap significant political, economic or social benefits and therefore it is premature to expect Canada, the United States and Mexico to work toward some collective "North American good". Consequently, the only direction to pursue remains an incremental one by deepening relations, cooperation, and coordination in those areas where there are clear benefits for each individual country. The three countries should focus on developing the existing bilateral relationships, and enhancing the effectiveness of bilateral institutions and policy approaches. They should also ensure that the full potential of NAFTA is realized along with its side accords and institutions.

Résumé

Alors que se poursuivent les discussions à propos du futur de l'Amérique du Nord, il devient évident pour bon nombre d'intéressés que se concentrer sur des options et scénarios imprécis qui concernent un avenir éloigné, est peut-être une approche trop « visionnaire » pour le moment. Le troisième document d'analyse politique de Focal sur le sujet s'inspire de la littérature et des analyses produites à l'issue de récentes conférences et tables rondes; il prend du recul par rapport au long terme et examine des questions fondamentales telles que : qu'est-ce que l'intégration nord-américaine?; qui souhaite cette intégration?; quels en sont les enjeux?; qui est à l'origine de ce projet? et quelle incidence auront les asymétries entre les partenaires nord-américains sur le processus d'intégration?

Le document conclut qu'il n'y pas de réelle volonté d'orienter l'intégration nord-américaine au-delà du commerce et des investissements. Puisqu'il n'existe toujours pas de plan ni aucune vision claire et précise pouvant laisser entrevoir des bénéfiques politiques, économiques ou sociaux pour chaque pays, il est prématuré de s'attendre à ce que le Canada, les États-Unis et le Mexique travaillent ensemble pour un quelconque « intérêt nord-américain commun ». Par conséquent, la seule option valable demeure une approche progressive qui consiste à approfondir les relations, la coopération et la coordination dans les secteurs qui présentent des avantages clairs pour chacun des pays. Ceux-ci devraient également s'efforcer

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de consolider les relations bilatérales existantes, d'améliorer l'efficacité des institutions bilatérales et des approches politiques tout en s'assurant que le potentiel de l'ALENA est pleinement réalisé tout comme celui des accords connexes et des institutions.

Resumen

Con el transcurso de los debates acerca del futuro de Norteamérica se hace cada vez más claro para muchos de los actores involucrados que el enfoque en opciones y contextos indefinidos y a largo plazo resulta muy hipotético en los momentos actuales.

Este es el tercer trabajo de análisis de políticas sobre el tema que realiza FOCAL, para el cual se ha tomado como base literatura y análisis recientes extraídos de diversas conferencias y mesas redondas en las que hemos participado. La autora se aparta de las perspectivas a largo plazo para centrarse en algunas cuestiones elementales como: ¿Qué se entiende por integración de Norteamérica?; ¿Quién desea la integración de Norteamérica?; ¿Cuáles son los temas centrales de la agenda de integración?; ¿Quién decide sobre la integración?; y ¿Qué papel juega la asimetría entre los tres socios en el proceso de integración?

Este documento concluye que no existe un interés común sobresaliente en llevar la integración de Norteamérica más allá del marco del comercio y las inversiones. Tampoco existe un plan o una visión bien definida y articulada en aras de que los tres países puedan sacar provecho político, económico o social importante. Por lo tanto, sólo resta continuar profundizando paulatinamente las relaciones, la cooperación y la coordinación en aquellas áreas en las existen beneficios concretos para cada país individualmente. Cada uno de los tres países debe enfocarse en continuar desarrollando sus relaciones bilaterales con los otros dos, y en fortalecer la eficacia de las instituciones y enfoques bilaterales. Asimismo, deben trabajar por alcanzar todo el potencial de oportunidades que les ofrece el TLCAN y sus acuerdos e instituciones colaterales.

INTRODUCTION

At a trilateral meeting at the margins of the Quebec City Summit of the Americas in April 2001, the three North American leaders instructed their governments to: *“review the trends, challenges, and opportunities facing North America at the dawn of a new century, and examine options to further strengthen the North American partnership”*. Since that initial meeting, a substantial amount of debate and dialogue has taken place amongst governmental and non-governmental actors in Canada, the United States, and Mexico resulting in a growing compilation of research and analysis. Much of this deliberation stems from a long-term (20 to 30 year) “vision” for a North American community along the lines of that first proposed by President Vicente Fox in Mexico and detailed by Robert A. Pastor in the United States. Modeled loosely on the experience of the European Union, the vision includes: some version of a customs union, improved policy coordination, mobile pools of labour, a development fund for Mexico, and the establishment of continental (supra-national) institutions.

Talks about the future of North America have generally sought to avoid dealing seriously with numerous obstacles by focusing on indefinite long-term options and scenarios for the region. It is now becoming clear to most discussants, however, that the proposals being presented may be too visionary in texture. At the same time, little speculation has been put forward as to what a roadmap for further North American integration might look like in detail. Drawing on current literature about the emerging issues in North American integration and on analysis collected at recent conferences and roundtables, FOCAL's third policy discussion paper on this theme steps back from the long-term to look at a number of fundamental questions that until recently were not underscored. They are as follows:

1. **What is North American integration?** Is North American integration synonymous with trilateralism? Can the continent integrate on the basis of the existing bilateral relationships?
2. **Who wants North American integration?** Why should the three countries seek to be closer, i.e. what is in it for them? Does a common interest exist among the three countries?

3. **What issues potentially drive the integration agenda?** Is there a functionalist approach to the integration debate? Could the integration process revolve around practical issues rather than grandiose visions?
4. **Whose decision is it to integrate?** Is integration contingent upon government decisions or was it already a reality that confronted the three governments? What is the role of the ordinary citizen in these discussions?
5. **Lastly, what role do the asymmetries between the North American partners play in the integration process?** Is it possible to integrate a continent framed by three vastly different countries, each involved in a loose asymmetrical relationship?

WHAT IS NORTH AMERICAN INTEGRATION?

The Trilateral Versus Bilateral Debate:

According to the Concise Oxford Dictionary to “integrate” is to: *a) combine parts into a whole; b) complete an imperfect thing by the addition of parts; c) bring or come into equal participation in, or membership in a society.* Given these definitions, trilateral cooperation between Canada, the United States, and Mexico would indeed appear to be a component of North American integration, in combination with existing bilateral arrangements (Canada-United States, Canada-Mexico, United States-Mexico). Simply put, within the North American framework a trilateral approach would be appropriate when policy issues lend themselves particularly well to three-way action. A traditional bilateral approach would be deemed most effective when dealing with the remainder of the issues.

Canada:

Canada prefers a bilateral approach to relations with its NAFTA partners, or when necessary, a multilateral route. Bilateral arrangements—particularly the central bilateral relationship with the United States—are grounded in decades of practice and tradition. The “special relationship” with the United States has proven to be an effective instrument to manage this deep and complex relationship. It is not difficult to understand how minor policy, legislative or regulatory changes in

the United States can have a significant impact on Canada. Therefore, bilateral approaches, which served Canada’s interests well in the last century, will remain the priority.

From Canada’s point of view, it still is not clear what could be achieved by working trilaterally with the United States and Mexico. There are relatively few issues that really involve the three countries, at least in the sense of shared political or social policy objectives. At times, Canada finds it more efficient to interact with several players, dealing with the United States at the multilateral level. Canada frequently pursues a range of objectives vis-à-vis the United States in concert with other players such as the Europeans, Japan and increasingly even Russia and China. Influencing, and frequently attempting to moderate US policy is one of the purposes behind Canadian participation in such groupings as the G-8, NATO, NORAD and the WTO, to name but a few. Within the Americas,

Canada has been a strong promoter of the Free Trade Area of the Americas, and maintains that NAFTA (North American integration) and an eventual FTAA (hemispheric integration) can co-exist quite effectively. According to Canada, any future North American arrangement, whether economic, social or political, should have a built-in provision allowing other

countries of the hemisphere to join in upon meeting the accepted standards and rules.

The United States:

The United States is certainly the ambiguous North American partner. To recount the obvious, the United States is the last Superpower and enjoys a truly global reach in strategic military matters, foreign policy priorities and political and social objectives. Traditionally wary of “foreign entanglements”, the United States tends to acquire “partners” only in those cases where a clearly defined US national interest makes such arrangements necessary or useful. In certain circumstances when US national interests are deemed to be affected, (e.g. Kuwait, Afghanistan) the United States has both the will and the capacity to bring together impressive coalitions of countries. In other circumstances where US national interests are also deemed to be threatened, the United States has an equally strong will and the capacity to act unilaterally to ensure that its view prevails

(e.g. Kyoto Convention, the Anti-Ballistic Missile Treaty). For the United States, Canada and Mexico can be helpful on the international stage, but rarely are either critical.

Even in economic terms the United States is not dependent on its two neighbours (US exports to these countries amount to slightly more than 4% of US GDP). The well-being of the American people, to a certain extent, depends on the prosperity, security and cooperation of Canada and Mexico. However, that cooperation is, from a US perspective, simple to secure as both Canada and Mexico understand that their well-being is dependent upon the United States. Further, the United States has already largely secured its own interests within existing frameworks such as NAFTA on the economic side, and NATO and NORAD on the security and military side. To the extent that the United States can rely on Canada and Mexico's support to confront its domestic and international policy challenges, then there is no need for trilateral arrangements. The United States prefers the efficiency of bilateralism because it gets the country what it wants faster.

Mexico:

Mexico has become a strong promoter of a trilateral approach to North American relations. The country is ready to move beyond what it believes to be the often heard, but inaccurate "either-or" argument that Canada and Mexico would each be sacrificing its privileged relationship with the United States if trilateralism were advanced. Mexico often cites the example of the French-German relationship, which became much stronger within the integrated European Union. The country feels very strongly that its future lies in North America, and that the United States and Canada have a great deal to offer in terms of economic growth, development and modernization. In principle, much could be accomplished bilaterally with the United States. Mexico's much needed migration agreement, for example, has little to do with Canada. Yet, Mexico believes that Canada could function as a counterweight to US power and that in the distant future the Mexican people would accept joining "North America" over joining the United States.

The Bilateral Relationships:

The three North American bilateral relationships have proven strong enough to negotiate, implement, and maintain NAFTA. Beyond trade and investment, however, some would argue that they are not as stable as they could be. Canada and the United States are lauded as having one of the strongest, friendliest relationships in the world. The Canada-Mexico relationship is generally acknowledged to be young and underdeveloped, but growing, and the United States and Mexico are closer than ever, but longstanding grievances persist.

Canada-United States:

Canada and the United States have been drawing closer together for the last two centuries. Close geographic and cultural ties, as well as the later integration of the economies and defence systems, have led to historically strong bilateral relations between the neighbours and a much greater degree of interdependency. On a day-to-day level, the relationship has never been healthier or more comprehensive as it is today. Yet, overall Canada figures less and less into the US world-view. On issues not directly related to the bilateral relationship, Canada's ability to get a hearing in Washington has diminished, and the United States increasingly operates through ad hoc, temporary coalitions rather than long-term partnerships [Stephen Handelman ISUMA, 2000]. Unilateralism, an approach always present in US policy-making, has undeniably become more pronounced, and even harsher, under the current Republican administration and is particularly evident in the world-view of numerous and influential Republican senators. Given the priority that Canada must assign to this relationship, it needs to build mutual confidence with the United States by making a concerted and sustained effort to inform US legislators of its own national policies.

Canada-Mexico:

The Canada-Mexico relationship is more recent and more consciously driven than Canada-United States interactions. Great effort has been made to substantially strengthen bilateral relations in the last decade. Economically, NAFTA has injected a

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tremendous amount of new energy into the relationship, and political linkages are now informal and natural (especially at the ministerial level), and numerous bilateral cooperation initiatives are underway. These positive bilateral conditions have been supported as well at the multilateral level where traditional Mexican isolationism, with Canadian encouragement, has given way to some measure of external engagement. As Mexican participation in multilateral policy-making increases, one can expect growing convergence of interests between itself and Canada. Lastly, Mexico regards Canada as a valuable partner—and often a model—for institutional restructuring, particularly in the area of governance. Nevertheless, there is tremendous potential for more trade and investment between the two countries, and a big need to increase knowledge and understanding about Mexico in Canada and vice-versa.

Mexico-United States:

The Mexico-United States relationship, which has been growing closer for the last decade, has continued to improve under the administrations of Vicente Fox and George W. Bush. The two political leaders share a strong personal bond and both can rely on common experiences (i.e. corporate executives, state governors) to frame their political philosophies. Mexico now has a strong presence in Washington and dialogue and cooperation has become routine. Yet progress is hindered by the United States’ preoccupation with Mexico’s illegal migration, and by Mexico’s strong sense of history and identity.

Over 23 million Mexicans reside in the United States, with 3 to 4 million estimated to be undocumented. Mexican migrants are essential to the US economy, yet the United States spends billions of dollars trying to keep the migrants out. Negotiations between the two leaders to increase the number of permanent visas for Mexicans and legal status for at least some of the undocumented migrants are currently stalled and seem unlikely to move forward, at least so long as the United States remains totally preoccupied with the so-called war on terrorism. As for history and identity, it is difficult for Mexicans to see the United States as a friend after so many years of being taught that the

powerful neighbour is the aggressor. Mexico’s more open and activist foreign policy has not erased a history of anti-American sentiment. The ordinary citizen may be willing to have closer relations with the United States if his or her standard of living increases, and certainly the industrious northern cities are keen to integrate. However, conflicting attitudes toward the United States in Mexican political parties, institutions, and media prevail.

Canada/Mexico-United States:

Finally, how Canada and Mexico interact with their mutual neighbour is a crucial component of the three North American bilateral relationships. The two countries have followed a different approach toward their relationship with the United States, with one (Canada) favouring a more technical and practical approach, working below the radar whenever possible, and the other (Mexico) favouring a more political, personal and public

method. Canada maintains that there is no need for a formal institutional framework to govern North American relationships and that more can be accomplished at the informal technical level. Mexico relates to the United States and Canada at the political level with heightened public profile, it likes formal institutions and prefers to look at the big picture (long-term vision) before addressing the smaller technical issues.

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WHO WANTS INTEGRATION?

The Interests:

The interests of Canada, the United States and Mexico in drawing closer together deserve far greater discussion and analysis. With attention placed on future proposals and scenarios, few people have asked “what is the purpose of all this discussion?” or “what is in it for us?” The absolute need to be clear for any future discussions to be fruitful.

Canada:

Canada has not publicized an “official” position on the concept of North American integration, though it does make clear that it seeks a pragmatic, gradual, market-oriented approach to continental relations. This notwithstanding, official Ottawa has

put in place perhaps the most comprehensive structure to study and analyze the issue of any of the three governments. The Canadian effort is coordinated by the Policy Research Initiative, a research arm of the Federal Government's Privy Council Office. The Policy Research Initiative coordinated effort draws in senior officials from a range of government departments who manage and track specific research topics. The effort is co-chaired at the level of Deputy Minister, and officials have also reached out to Canada's policy and academic communities as a source of possible information and insight.

Canada's principal interest in a North American approach is the protection and enhancement of its privileged relationship with the United States. In short, Canada wants uninterrupted, unimpeded, guaranteed access to the US market. At the same time Canada desires continued economic growth and the creation of high value jobs, while guaranteeing Canadians the ability to formulate their own economic, social, and cultural policies (e.g. social welfare system/universal healthcare). Public opinion polls in Canada consistently conclude that the Canadian population in general has little fear of closer relations with the United States and are quite supportive of joint efforts across a range of issues as long as they can maintain their distinct identity.

Canada is also interested in Mexico and is aware of Mexico's increasing competitiveness as an investment location and of Mexican industry in the North American market [Jayson Myers, Canadian Manufacturers and Exporters, 2002]. Mexico still has a significant cost advantage over Canada, and has made considerable strides in improving industrial quality and productivity. Canada is now more conscious of the tremendous growth potential of the Mexican consumer market, and the opportunities for partnerships and cooperation on a variety of issues. Finally, Canada continues to build on its role in the hemisphere and does not regard North America as an exclusive union of three members. Beyond these central interests, it can be argued that Canada does not agree as a national whole on what it wants or needs from North America. It seems to know what it does not want, i.e. harmonization of standards to the lowest common denominator. But, the future of North America cannot be mapped out in terms of what

the countries do not want, just as Canada cannot define who it is in terms limited to its differences with the United States.

The United States:

Whereas Canada turned to a government-directed research entity as the main vehicle for information and ideas for follow up to the announcement of the three leaders, US government officials have the benefit of a plethora of privately funded think tanks and policy institutes on which to rely. Thus, while Ottawa took a direct role in sketching out its research agenda following last year's trilateral Summit meeting, the United States continued to manage its foreign relationships as before. Washington's non-governmental actors, on the other hand, have geared up and "attacked" the question of North American integration with vigour. The Brookings Institution, the Inter-American Dialogue, and the Centre for Strategic and International Studies (CSIS) are all pursuing interesting research and analysis. Outside of Washington, a number of individual academics—perhaps the best known being Robert A. Pastor at Emory University and Stephen Blank at Pace University—have put forward ideas, plans, and strategies.

Within official Washington however, there does not appear to be any overwhelming interest for the question of North American integration. There is, for example, no inter-agency task force or study group that is officially charged with generating an official US government position. The United States State Department has not brought together the diverse government interests (i.e. Treasury, Energy, Immigration and Naturalization Services, etc.) to lay out what US interests are and how they might, or might not be affected by increased integration in North America. Congress has not shown much interest either. In Canada, for example, the House of Commons Standing Committee on Foreign Affairs and International Trade has started hearings on the question of North American integration. Neither the US Senate nor the House of Representatives have shown any similar or sustained interest. In short, as the world's biggest national economy and remaining superpower, the United States is generally able to effectively pursue its interests on most issues at any given time. The country is not likely to place attention on discussions about the future of North America because it lacks reason and political will to do so. Certain domestic policy

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challenges such as security and energy do require a partnership with its North American neighbours and these will find a sounding board in Washington. In the short to medium term, however, any North America agenda will not be initiated by the United States.

Whether accomplished bilaterally or trilaterally, the United States desires compatibility of systems and procedures, and an end to systematic friction between the three countries. There is also an interest in maintaining the enormous flow of goods and services coming and going from Canada and Mexico. Historical positive relations with Canada are imperative for defence purposes, among others, and the political weight of the Hispanic vote in the United States is making constructive relations with Mexico more important. That being said, US political leaders are acutely conscious of the fact that Hispanic voters tend to support Democratic over Republican candidates to a margin of almost ten to one. Republican leaders are unlikely to encourage much partisan “cross-over” by framing trilateralism as a major element of that Party’s stand. Pursuing a stand-fast line on issues such as Mexican migration can attract more votes.

Mexico:

It is Mexico’s President Fox who has given the most public voice to the idea of North American integration. Fox is confronted with major challenges as he attempts to steer Mexico firmly into the 21st Century. The grand vision of North American integration is a crucial component of his strategy for modernization. Seeking to build on his close personal relationship with US President Bush, Fox put in place a flexible structure to pursue the idea of trilateralism. He appointed Andrés Rozental, a former senior Mexican Ambassador with close personal connections to Mexico’s Foreign Minister, Jorge Castañeda, to spearhead Mexico’s efforts to push the idea forward. Rozental has collected behind him an impressive group of thinkers from Mexico’s mostly private universities and has been instrumental in forging linkages between his *Consejo Mexicano para Asuntos Internacionales* and entities such as Ottawa’s Policy Research Initiative and Washington’s Brookings Institution.

For Mexico, a North American approach is primarily a means to an end. The premise is that linking itself

as closely as possible to North America will accelerate economic and social development domestically. Mexico is driven by a powerful need and desire for change. It knows where it wants to go and sees North America as the only way to get there. Employment, investment, and overall economic growth require an active partnership with its neighbours. Closer cooperation with the United States and Canada will allow knowledge and technology to flow into the country more rapidly, helping firms to modernize their production processes and providing the Mexican workforce with new skills needed to survive in the globalized economy [Luis Ernesto Derbez, Minister of Economy, Mexico, 2002]. A development fund of some kind may also be required in the future to narrow the development/ income gap both within Mexico and between Mexico and the rest of North America. Such an initiative would imply that Canada and the United States share some of the cost.

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Canada/United States/Mexico:

As a final point, putting geopolitical and economic interests aside, there is as yet, no domestic constituency in any of the three countries pushing strongly for North American integration. Discussions have been limited to a few government officials and selected think tanks, business people and academics. In Canada, the United

States, and increasingly in Mexico people will only attempt to influence policy when they see it in their interest to do so. North American integration has not been a focused campaign. It has not been organized and has not touched the relevant policymakers in Ottawa, Washington, and Mexico City. Moreover, while surveys and polls such as the recent Ekos project illustrate positive opinions of integration, the polls do not test people’s knowledge. The societies of North America need to be educated to ensure that any future discussion on the subject is informed and relevant.

WHAT DRIVES INTEGRATION?

The Issues:

Reducing recent discussions and analysis on the future of North America to one or two “issues of the moment” (the focal points are currently energy and borders) is a highly restrictive approach to the subject. However, focusing on these issues makes

a convenient starting point, since they have the attention of the United States. Keeping long-term goals in mind, it is important to now focus on specifics over generalities and begin to gather the building blocks of integration. The building blocks or “drivers” would depend on relative gains and losses. A simple formula would be to take a North American approach to those issues where there is a perceived net national benefit and to avoid those where such an approach is perceived as negative or counterproductive (i.e. where quality of life would decrease or where competition factors in too strongly). Potential drivers outside of trade and investment could include the energy focal point as well as certain aspects of border management and public security, and some environmental issues.

Energy:

The scarcity and high prices of oil, natural gas and electricity makes it more urgent for Canada, the United States and Mexico to protect themselves through the eventual establishment of a North American energy market. The United States, in particular, feels that it needs to reduce dependence on foreign energy sources, and Mexico is in desperate need of both expertise and foreign investment. In the energy sector NAFTA stopped short of achieving a truly open framework for trilateral trade and investment. While the trade agreement only addressed energy in a minimal way, Canada and Mexico are now willing to engage with the United States on the enhancement of the North American energy market. Ministers of the three countries have met to discuss the subject and to identify possible areas for future cooperation. A North American Energy Working Group has also been established to come up with a region-wide approach to energy development.

Today there is relatively free trade in energy between the United States and Canada. The main roadblock remains on the Mexican side. Mexico holds considerable promise for increased production of oil, natural gas, and electricity. While some parts of the energy sector have been opened up to private domestic and foreign investment, the Mexican Constitution still reserves to the Mexican state most aspects of the exploration, exploitation, refining, processing, and pipelining of crude oil, natural gas and petrochemicals. It also reserves to the state most aspects of the generation,

transmission, distribution and sale of electricity. For the most part, private investment is not permitted in these reserved energy activities. Despite the best intentions and unremitting persistence of the Mexican government at structural reform of the energy sector, the constitutional restrictions are highly unlikely to change in the near future. Creative ways will have to be found to allow more US and Canadian involvement in this area, and hence actual trilateral cooperation.

Border Management and Public Security:

The delays at border crossings, caused by security concerns following the events of September 11, illustrated Canada and Mexico’s vulnerability to circumstances impeding the movement of goods, services, and workers to and from the United States. The lengthy delays threatened Canada and Mexico’s access to the US market. So far, negotiations for border agreements at the government level have taken place bilaterally with information being shared with the third country. In

For Mexico, a North American approach is primarily a means to an end.

December 2001, the United States and Canada signed a Smart Border Accord containing 30 points of cooperation. The agreement called for, among other things, smart card technology that would ease the entry process in both countries for low risk, pre-approved users, and new technical procedures to clear goods in factories, rail yards and

sea ports instead of waiting until they reach the border crossings. A very similar United States-Mexico accord was signed in March 2002. While drug trafficking and undocumented immigration make the United States-Mexico border relationship far more complicated, the agreements have many points in common. This has led Mexico to pay more attention to the United States-Canada relationship and to request more trilateral cooperation on border issues.

Generally speaking, Canada and Mexico should actively cooperate with the United States, and with each other on public security matters. The three countries should begin to develop a set of procedures for working together so that when another crisis does occur, the appropriate system will be in place to deal with it. Information sharing between the three countries is the critical first line of defence in addressing public security problems as well as the need for public awareness and support for these matters [FOCAL Roundtable North

American Linkages: Perspectives from Mexican Policy Research Community, 2002]. While such measures between Canada and the United States go back to at least the end of World War II, Mexico's participation has largely been limited to drug enforcement matters—and even here not as a fully trusted partner. While Mexico does not have a known strategic intelligence capacity, it should be well placed to make a positive contribution vis-à-vis potential non-traditional security threats within Latin America. The willingness of Mexico to make an active contribution in this regard, however, remains very much an open question. The history of US intervention and unilateralism within the Americas remains very recent and is certainly not viewed with warmth by most Latin observers. In this sense, the weight is upon the United States to demonstrate that an issue such as public security needs to be defined in terms that are not exclusively U.S. focused. Washington's current mindset is not optimistic on this note.

Environmental Issues:

Since environmental degradation is not localized within national borders, environmental protection is an obvious trilateral issue in the North American context. However, given Mexico's need to put higher priority on the benefits of production (higher employment and income) relative to the benefits of environmental quality, dialogue still occurs between two developed countries, on the one hand, and a developing country on the other. The North American Commission for Environmental Cooperation (CEC) is perhaps the only major advocate of trilateral environmental solutions. It provides useful monitors of environmental trends in the region and mechanisms for investigating allegations of non-enforcement of national environmental laws.

According to the CEC, those environmental issues that are central to the economic integration occurring between Canada, the United States, and Mexico, can be discussed and worked on trilaterally. These would include: the environmental challenges and opportunities of the evolving North American electricity market (e.g. ensuring that environmental objectives such as clean air, can be achieved while at the same time securing affordable and reliable electricity); the development of a North

American tracking system of hazardous waste movement across the borders; and the development of micro-financing mechanisms to encourage sustainable agricultural practices, along the lines of the pollution fund for Mexican small and medium-sized enterprises [North American Commission for Environmental Cooperation 9th Regular Session of the CEC Council, 2002] .

WHOSE DECISION IS IT?

The Top-Down Method?

Elite actors dominate the integration agenda. Current analysis, discussion, and in some cases, negotiations about the future of North America have been limited to the three Heads of State, the top layers of government, advisors and specialized circles of think tanks, along with business and academic experts. There is a growing disconnect between these elite actors and the public. Recent opinion polls indicate that Canadians want economic integration with the United States and that Mexicans are happy with NAFTA. In some respects, the societies at large may be more open to closer North American ties than the policymakers.

But, overall it is not clear what they really want. Public consultations have not been held and the representativity of opinion polls can be questionable. To avoid a public backlash, greater public awareness and participation in North American dialogue and debates should be encouraged.

The Bottom-Up Method?

Some argue that North American integration is an informal process that has been occurring silently for many years. The process occurs without political institutions or specific policies moving it forward. Economic or business-led integration has evolved so much in fact, that it may outgrow the current trade and investment structure. NAFTA may eventually become insufficient to address the size and complexity of the North American relationship, just as the GATT became insufficient prior to the current trilateral trade arrangement. Before too long, a second-generation edition of NAFTA might become necessary—one more attuned to the broad economic and industrial changes that have taken place in the ten years since NAFTA was first

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conceived and negotiated. Social and cultural integration established through family ties (especially in the border regions), and linkages between civil society organizations, churches, schools, and other informal entities cannot be underestimated either. With advances in communications and information sharing technologies, these networks and communities are multiplying and becoming stronger. The challenge to the governments of Canada, the United States and Mexico is what policies to adopt in the face of commercially, socially, and culturally driven integration, all of which are deepening regardless of the views of these governments.

The Strategic Exchange?

Referred to as “horse trading” by Stephanie Golob [City University of New York, 2002], strategic exchanges may be an effective approach to integration—particularly when dealing with the United States which, again, has no obvious interest in a North American agenda. Integration would serve the three NAFTA partners in different ways. One, or preferably an alliance of two countries, could theoretically convince the other of the value of the North American agenda in exchange for something that that country wants. Driven by the assumption that improving Canadians’ standard of living depends on closer economic ties with the United States, Wendy Dobson [University of Toronto, 2002] proposes “customs union-like” and “common market-like” arrangements in exchange for what the United States wants: joint continental defence, closely aligned immigration policies toward third country migrants, border security and energy security. Along the same lines, some experts argue that the United States should offer Mexico a limited development fund or liberalized immigration rules in exchange for a firm commitment to restructure the energy sector. Given Canada’s desire for a greater role in Mexican oil and gas exploration and production, such a strategic exchange may also be of value to Canada.

It is not clear at this point how far the three countries are willing to take the North American relationship. A mixture of all three approaches would be realistic. Building a more integrated

North America needs to be a collective endeavour consisting of many layers of government, parliamentarians, the private sector, non-governmental sector and society at large.

WHAT ROLE DO ASYMMETRIES AND PERCEPTIONS PLAY?

The Marriage of Unequals:

A united Europe was possible because, among other reasons, its members are more equal in size and power than North America, with more narrow income disparities. The United States—the world’s largest, most dynamic national economy—produces 90% of the North American GDP with Canada producing 6% and Mexico 4%. The United States is home to 69% of the North American population with Mexico home to 24% and Canada 4%. Canada and Mexico are dependent on the US market, each sending 86% of their exports to the United States [Robert A. Pastor, Emory University, 2001]. The asymmetries cause Canadians to worry that the United States will set the guidelines for any future integration agenda and that Canada’s own policies will be subjugated to those of its powerful neighbour. The asymmetries also make Mexico the weakest continental member and with that status, mistrust and negative perceptions from Canada and the United States are often difficult to avoid.

*Information sharing
between the three
countries is the critical
first line of defence in
addressing public
security problems as well
as the need for public
awareness and support
for these matters.*

There are indications, including a number of national opinion polls, that Mexico is willing to pay the cost of harmonizing some of its domestic policies with those of the United States if it means achieving a higher standard of living for its people. To many Canadians, however, such a suggestion is unacceptable. A great deal of concern has been expressed in academic and public discourse about the unrelenting forces of harmonization and the diminution of Canada’s capacity to make distinctive policy choices in the pursuit of national aspirations [Hoberg, Barting, & Simeon, 1999]. Canada has the highest standard of living in North America and it is assumed that integrating with the United States (and eventually with Mexico) will inevitably bring that standard down. While Canada has been able to maintain its distinctive social programs thus far, Canadians are concerned about a “race to the

bottom” in this area. Beyond the social area, a more immediate policy dilemma is that US security concerns not eclipse Canada’s growing dependency on immigrants for new labour market entrants and continued population growth.

Mexico has been the boldest of the NAFTA partners in terms of initiating the debate on North American integration and aggressively pursuing what it sees as its central long-term development strategy. Still, Mexico’s development challenges constitute a major obstacle for closer relations with Canada and the United States. David Zussman (Public Policy Forum, 2001) describes Mexico as a country of 100 million people with an average standard of living about 1/5 of Canada’s and about 1/6 of that of the United States which has more billionaires than Canada, but where only 8% of the people pay taxes; where for the first time in 71 years, the President’s party does not control Congress; where the President is also a prisoner of his country’s constitution and of political forces at play.

A two speeds argument that Canada and Mexico should integrate where possible inviting Mexico to join upon catching up to their standards, has gained popularity. Ekos’ recent opinion poll strengthens this approach by illustrating a great deal of mistrust toward Mexico among Canadian and US citizens. For example, poll results show US reservations vis-à-vis Mexicans trustworthiness in homeland security (a virtual non-issue with Americans when it comes to Canada). The findings also reflect strong support for free market labour mobility across Canada-United States, but including Mexico dramatically dampens that support. Still, there is reason to be optimistic about Mexico’s future. Much of its young population is becoming highly educated, innovative and industrious. It,

along with the Mexican government, has a genuine desire to see the country rise to its potential. It is imperative that Canada and the United States include Mexico when dealing with issues that affect North America as a whole, while also recognizing that important differences exist.

CONCLUSION: WHERE TO FROM HERE?

Framing a paper around basic questions was possible at this time because of an apparent interval in ongoing discussions about North America’s future. Most actors involved in this process are beginning to ask the difficult, but inevitable question “where to from here?” This paper reveals that there is no overwhelming common interest to further North American integration beyond trade and investment. No clear and well-articulated vision or plan has emerged in which all three countries would reap significant political, economic or social benefits and, therefore it is premature to expect Canada, the United States and Mexico to work toward some collective “North American good”. Consequently, the only direction to pursue remains an incremental one by deepening relations, cooperation, and coordination in those areas where there are clear benefits for each individual country. The three countries should focus on developing the existing bilateral relationships and enhancing the effectiveness of bilateral institutions and policy approaches. They should also ensure that the full potential of NAFTA is realized along with its side accords and institutions. In the short to medium term, integration will be issue-driven, with an almost exclusive focus on those issues that the most powerful North American member: the United States, is interested in.

Some argue that North American integration is an informal process that has been occurring silently for many years. The process occurs without political institutions or specific policies moving it forward.



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