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NAFTA: WILL IT EVER HAVE AND EU PROFILE?*

Roberto Domínguez †

Introduction

Based on the experiences of regionalization and integration processes, this paper identifies the main transformations North America has undergone as a result of the implementation of NAFTA. The main argument is that the operation of NAFTA has set in motion a process of regionalization in North America and gradually an increasing number of policies encompass a regional dimension. In such process, the pivotal actor is the United States, while Canada and Mexico are reactive partners who seek to defend their domestic interests as well as accommodate themselves in the regional dynamic led by the United States. The emerging regionalism in North America reflects that NAFTA has accomplished some of its goals. Nonetheless, there is an ongoing discussion with regard to the expanded agenda of the region and several proposals have been brought to the academic and political debate. In this regard, five main sections are considered to assess the regionalization of North America. The first introduces some analytical elements about the regionalization in North America; the second shows perceptions of public opinion with regard to the regional agenda; the third refers to the effects of NAFTA, while the fourth evaluates the Security and Prosperity Partnership (SSP) Summits. The fifth presents the case of alternative models for the future of NAFTA.

1. The Idea of a North America Region: From NAFTA-ization to North Americanization

NAFTA has set in motion a process of regionalization divided in two main stages: NAFTA-ization and North-Americanization. Both concepts attempt to reflect the changes in North America and are based on the concept of Europeanization, which can be broadly defined as bargains between states leading to ongoing political adjustment within states. In the case of Europe, it can refer to the reciprocal influence of European integration and the domestic politics of its member states, in either top-down or bottom-up terms. In fact, the original concept of NAFTA-ization is operational for the purposes of studying NAFTA and its reverberations in the three economies of the region. Its proponent, Mark Spinwall, defines it as follows: “it is about political change, not about social or economic change (such as growth in migration or trade). The underlying hypothesis is that regional agreements between states set in motion a process of domestic political adjustment, which is likely to vary according to the nature of the agreement.”¹

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¹ Mark Spinwall, “NAFTA-ization: Regionalism and Domestic Political Adjustment in the North America Area” (Paper Presented at the 48th Annual Convention of the International Studies Association, Chicago, February 28-March 3, 2007): 6.

The contribution of Spinwall lies in the study of the effects of NAFTA in the three countries and points out that the domestic political adjustments have been more numerous in Mexico and Canada than in the United States. However, in order to reach a more comprehensive perspective of North America as a region, there is a conceptual demand to expand the themes of the agenda beyond the strict impacts of NAFTA.

Along with Spinwall's conceptualization, from the perspective of this essay NAFTA-ization corresponds to the first stage of the regionalization of North America. In this stage, the priority is the development of mechanisms and policies aimed at increasing NAFTA related exchanges. Unlike the European model, based on a combination of supranational and intergovernmental institutions, North America has initially evolved as a region driven by the economic rationale of free trade. The Prime Minister of Canada has emphatically reiterated his view in this regard:

To Harper (Prime Minister of Canada), "there is a clear difference between European integration, driven by that of continent's political and intellectual elites, and North American integration, driven by well, by our business elites. It's not a case of the leaders of the countries seeking to impose this upon society and upon the economy... What it is the case of is the business community, in particular, increasingly inviting us to cooperate more fully and to address a lot of inadequacies in NAFTA."²

Prime Minister Harper sheds some light about the limitations of NAFTA in comparison to the European integration. However, three observations can be made to his remarks. The first is that the concept of integration has several implications from the economic and political standpoints, namely, supranational institutions; these elements are absent in the architecture of North America. The second is that NAFTA has not been a fixed agreement frozen in time and space; conversely, it has impacted a variety of aspects in the economic and political life of the three partners beyond the strict business agenda.

Thus, the second stage of the regionalization of NAFTA is the North-Americanization of the region. Unlike the first stage, in this case, four elements play a crucial role: 1) deeper interdependence, 2) NAFTA-related political adjustments, 3) bureaucratic and civil society learning process about the region, and 4) the demands for coordination of policies (security) beyond the commercial track. Therefore, while there are no prospects of European style integration in North America, it could be argued that NAFTA has paved the way for the regionalization of North America.

In the following sections, this paper will provide some elements to draw some aspects of the making of the regional agenda based on perceptions, deeper interdependence, ideas about the region and official policies in the regionalization of North America.

2. Perceptions of Public Opinion in North America

One of the expectations of citizens is that their opinions and political preferences will be reflected on public policies. Scholars argue from different standpoints that democracies tend to represent the common interest of their constituents. However, it is common that in the complex policymaking process there are mismatches between expectations and policies. In the case of foreign policy, sometimes the "wisdom" of politicians impregnates policies contrary to the opinion of their constituents. The effects can be either harmful (invasion to Iraq) or beneficial (European integration) for the society affected by those decisions.

Public opinion is a helpful instrument to illustrate how citizens perceive their counterparts in the region. How, then, does public opinion perceive NAFTA and North America as a region? Based upon several surveys conducted in the three countries, a general trend indicates that public opinion tends to see negatively globalization and economic regionalization because both can affect local jobs. What is interesting is that most of the legal implementations of NAFTA have

² Paul Wells, "Spring Break Summit," *Maclean's*, April 4, 2006.

already taken place and actually economic threats such as outsourcing are more likely with India or China. For instance, in the case of the United States, a 2006 survey conducted by the Chicago Council on Foreign Relations found that with regard to globalization 60% of Americans see globalization as mostly good for the United States. However, 49% of Americans say that international trade overall is bad for the environment, and 60% say that trade is bad for creating jobs within the United States. On the other hand, 67% say it is bad for job security for American workers, and 72% say that outsourcing is bad because American workers lost their jobs to people in other countries.³

On the other hand, a September 2004 survey conducted by Queen's University School of Policy Studies showed that 67% of Canadians found that the irritations of free trade with the United States were a cost Canada would have to pay in order to get good access to world markets.⁴ When asked whether their country was a winner or a loser with regards to NAFTA, a 2005 survey showed that 60% of Canadians saw their country as a loser, up from 47% in 2002. Seventy percent of Canadians support NAFTA, and 75% supports increasing trade between the three countries.⁵ In the case of Mexico, with regard to NAFTA, 70 percent of the public believes that the United States has benefited the most from NAFTA. Forty-four percent believe NAFTA has been good for the economy, 50% believe it has been good for business, and 49% it has been good for job creation. Sixty-four percent of Mexicans support NAFTA.

Beyond the theme of NAFTA, the abrasive role of U.S. foreign policy since 2003 provoked negative opinions around the world. However, in the case of its two neighbors there is a positive perception to enhance cooperation in the field of security. From the Canadian perspective, a 2005 Pew Research Center Survey⁶ found that 59% of Canadians have a favorable opinion of the United States, down from 72% in 2002. However, in 2005, only 19% of Canadians believed that the U.S. foreign policy took the interests of their country into consideration. With regard to security, 74% of Canadians believe that Canada should adopt U.S. immigration and import control procedures to keep the border between the two countries open. In the case of Mexico, regarding terrorism, Mexicans believe that they should help in the War on Terror in the following ways: permit American agents to work with Mexican agents in guarding Mexican airports, ports, and borders; increase Mexico's entrance and exit requirements for people from other countries; and increase control on the movement of goods through Mexican airports, ports, and borders.

3. NAFTA: Assessing its effects

Since NAFTA came into force in 1994, there has been a vivid debate about its effects on the three countries. The explanation about it would vary based upon the ideological perspective and the selection and use of indexes, dependent and independent variables. However, the middle ground assessment would suggest that both positive and negative effects and that not all the harm in the region can be attributed to NAFTA. Table 1 summarizes the main debates about its effects.

³ *Global Views 2006. The United States and the Rise of India and China* (The Chicago Council on Global Affairs, 2006)

⁴ COMPAS, "NAFTA in Year 10," *Financial Post*, September 20, 2004
http://www.queensu.ca/cora/polls/2004/September20-nafta_after_10_years.pdf

⁵ Stephen J. Weber, "In Mexico, U.S. and Canada, Public Support for NAFTA Surprisingly Strong, Given each Country Sees Grass as Greener on the Other Side," *World Public Opinion*.
<http://www.worldpublicopinion.org/pipa/articles/brlatinamericara/161.php?nid=&id=&pnt=161&lb=brla>

⁶ Pew Research Center, U.S. Image Up Slightly, But Still Negative, June 23, 2005, Pew Research Center

Table 1. Debates about the effects of NAFTA

NAFTA Debate	Cavanagh and Anderson	Serra and Espinosa
Wages	11 percent slide in real wages in Mexico, manufacturing wages lower in 2000 than in 1981. 82 percent rural poverty rate in Mexico (1998) and 58 percent of Mexicans live in Poverty (1999). In 1999, wages in the factory were at \$1.74 an hour, lower than the national wage of \$2.12 an hour.	Wages for 1981 distorted due to over inflation of Peso, hourly wages at a factory have gained 8.4 percent over pre-NAFTA levels. Mexican firms exporting more than 80 percent of profits paid between 58-67% higher wages than average wage rate (1994-1996).
Tariffs	US Corn imports have devastated small farmers in Mexico. NAFTA requires a removal of protectionist barriers, which means there will be no protections by 2008, and the Mexico market will be flooded with US Corn.	Only a certain amount of corn will be allowed to enter Mexico duty free; the rest is subject to a tariff, which amounts to 162 percent of the US corn entering Mexico.
Unions and Labor	The globalized marketplace allows employers to suppress the rights of workers in Mexico. Attempts to unionize are met with violent crackdowns by the owners and police. The agency set up under NAFTA has been unable to hold governments or corporations responsible for their workers' rights violations.	NAFTA's side agreement on labor was always intended to protect workers' rights while preventing the use of labor-related claims as protectionism. Labor unions have had greater political independence since NAFTA, and were a factor in the election of the opposition leader in 2000.
Environment	Mexican government investment in environmental protection has declined about 45 percent since 1994, and the NAFTA committee only gives \$3 million a year in funding for projects. Attempts to deal with pollution have resulted in lawsuits by corporations.	Public investment has been declining due to budgetary restraints. The trade liberalization of Mexico will eventually lead to more funding for environment protection. It is important to prevent protectionist measures that might be used to punish polluters.

Taken from: J. Enrique Espinosa, Jaime Serra, John Cavanagh, and Sarah Anderson, "Happily Ever NAFTA?", *Foreign Policy* (September/October 2002), http://www.foreignpolicy.com/story/cms.php?story_id=2458&print=1
 Elaborated by: Carlyn Jorgensen

In the 1990, Mexico revealed its intention to negotiate a free trade agreement with the United States. This decision challenged "all previous conceptions of Mexico-U.S. relations."⁷ Fifteen years later, NAFTA has lost its uniqueness since both Mexico and the United States have implemented a network of free trade agreements with other countries and regions. On the other

⁷ Gustavo Vega and Luz María de la Mora, "Mexico's Trade policy: Financial Crisis and Economic Recovery" in *Confronting Development. Assessing Mexico's Economic and Social Policy Challenges*, eds. Kevin J. Middlebrook and Eduardo Zepeda (Stanford: Stanford University Press, 2003), 171.

hand, it has become clear that creating winners and losers is the natural consequence of the logic of free markets, and NAFTA is not the exception. Sidney Weintraub has said that “NAFTA has not been a panacea... it must be assessed for what it is.... a trade and investment agreement that succeeded in its central purpose.”⁸

Most of the publications in this field recognize the successes of NAFTA. Between 1993 and 2000, for instance, trade in the NAFTA region increased from \$289 billion to \$659 billion. Trade flows between the United States and Canada reached \$411 billion and between Mexico and the United States \$263 billion in 2000. Mexican exports to the United States and Canada grew by an outstanding 234 percent and 203 percent respectively between 1993 and 2002.⁹ Today, twenty-two U.S. states have Mexico as either the first or second market for their exports. For nine others Mexico is their third most important export destination.¹⁰ With regard to total FDI flows between the three countries, they amounted to \$63 billion between 1989 and 1994; during 1995-2000, total flows increased to \$202 billion, tripling in dollar volume.

On the other hand, the connection between trade liberalization and investment growth is illustrated by three sectors where commercial ties have been relatively more extensive: the automotive industry, textiles and clothing, and the electronic industry. “In these three sectors, deeper integration is clearly evident between the three economies.”¹¹

However, despite the success indicated by the macroeconomic data, some criticisms emerge in the interpretation of these numbers. For instance, “in the 12 years since NAFTA was ratified, the yearly U.S. trade deficit with Mexico and Canada has grown from \$9.1 billion to \$110.8 billion.”¹² In this vein, a study conducted by the Carnegie Endowment for International Peace shows the following findings: a) NAFTA has not helped the Mexican economy keep pace with the growing demand for jobs (500,000 jobs were created in manufacturing from 1994 to 2002, while the agricultural sector has lost 1.3 million jobs since 1994); b) real wages for most Mexicans today are lower than when NAFTA took place (caused by the peso crisis); c) there has been an increase in the number of migrants to the United States (although not necessarily as a result of NAFTA).¹³

From the U.S. government’s perspective, officials have admitted the qualified success of NAFTA. As one U.S. official pointed out, “In fact, the result is that NAFTA has been virtually job neutral. Given what most reputable economist say about the employment effects on NAFTA, that finding is not surprising.”¹⁴

Perhaps one of the assessments in which most of the analysts agree is with regard to Mexico. Whereas wages in Mexican export-related industries are 37 percent higher than the rest of the economy,¹⁵ the gap that existed when NAFTA came into effect widened instead of narrowed. In 2001, seven years after the implementation of NAFTA, “Mexican manufacturing salaries went from \$2.10 an hour versus \$11.7 an hour in the United States to \$1.90 an hour versus \$13.80 an hour in the United States.”¹⁶ In March 2005, in the context of the Tri-national Summit, Harold Meyerson stated: “Since NAFTA was enacted, real wages for Mexicans have

⁸ Sidney Weintraub, “NAFTA’s Impact on North America: The First Decade” in *NAFTA’s Impact on North America. The First Decade*, ed. Sidney Weintraub (Washington: Center for Strategic Studies, 2004), 126.

⁹ U.S. Trade Representative, *NAFTA. A Decade of Strengthening a Dynamic Relationship*, (2004): 2.

¹⁰ NAFTA Works, “Mexico is a Growing Export Market for U.S. States,” vol. 9, issue 9 (September 2004): 1.

¹¹ Gustavo Vega-Cánovas, “NAFTA at Ten: A Mexican View,” *Focal Point. Spotlight on the Americas* 3, no. 3 (March 2004): 3.

¹² Harold Meyerson, “CAFTA’s Profit Motive,” *Washington Post*, March 30, 2005.

¹³ John J. Audley, Demetrios G. Papademetriou, Sandra Polaski and Scott Vaughan, *NAFTA’s Promise and Reality. Lessons from Mexico to the Hemisphere* (Washington: Carnegie Endowment for Peace, 2003), 4-7.

¹⁴ Grant D. Aldanas, “NAFTA: A Ten Year perspective and Implications for the Future,” *Hearing before the Subcommittee on International Economic, Export and Trade Promotion of the Committee on Foreign Relations*. United States Senate, April 20, 2004, 7.

¹⁵ U.S. Trade Representative, “NAFTA: A Decade of Success,” *Fact Sheet on NAFTA Benefits* (July 1, 2004).

¹⁶ Graciela Bensusán, “Labor Regulation and Trade Union Convergence in North America,” in *NAFTA’s Impact on North America. The First Decade*, ed. Sidney Weintraub (Washington: Center for Strategies Studies, 2004), 126.

declined, the nation's poverty rate has increased, and illegal immigration to the United States has soared. For both Mexican and American workers, NAFTA has been a lose-lose proposition. For the U.S. corporations that have outsourced their work to Mexico, though, NAFTA has been a clear profit center."¹⁷

Other less quantitative affects should not be overlooked. NAFTA is a very detailed and precise agreement, containing 22 chapters and numerous annexes establishing the obligations of member states. NAFTA creates strong pressure to harmonize tariff, update rules of origin and harmonize other standards in order to promote trade. Legal changes were required in all three member states as a result of NAFTA. The three countries scheduled changes in order to implement NAFTA provisions. Some examples are the provisions in Chapter 19. However, Mexican adjustments were more profound. For instance, national laws were changed in areas such as telecommunications, intellectual property rights, automotive sector, competition, monetary policy, inward investment, and others.¹⁸ To some extent, this is what Clarkson called the "Americanization of Mexican Law."¹⁹

Side Agreements

With regard to the side agreements, most scholars agree that the environmental one - the North American Agreement on Environmental Cooperation (NAAEC)²⁰ - has had a limited impact on the region since it was not designed to significantly reverse the environmental consequences of economic growth in Mexico. However, it may be taken into account as a pilot project to examine the effectiveness of institutions designed for Mexico and other nations where trade-led growth needs to be channeled in a more environmentally-friendly fashion.

One of the parameters for assessing the environmental side agreement is through its institutional performance. The NACEC has two mechanisms that provide additional means to monitor the enforcement of environmental laws in North America. The first mechanism is through Article 14 and 15. Under this mechanism, 43 cases have been filed under articles 14 and 15 as of February 2004. There were 7 active files against Mexico, 4 against Canada, and none against the United States. With regard to the closed files, 14 were against Mexico, 10 against Canada and 8 against the United States.²¹ The second mechanism is Article 22, which allows any of the three NAFTA governments to enter into a dispute resolution process with parties that persistently fail to enforce environmental laws. According to Article 22, nations found in

¹⁷ Harold Meyerson, "CAFTA's Profit Motive," *Washington Post*, March 30, 2005.

¹⁸ Mark Spinwall, "NAFTA-ization: Regionalism and Domestic Political Adjustment in the North America Area (Paper Presented at the 48th Annual Convention of the International Studies Association, Chicago, February 28-March 3, 2007): 7-8.

¹⁹ Stephen Clarkson, "Reforms from Without versus Reform from Within: NAFTA and the WTO's Role in Transforming Mexico's Economic System" in *Mexico's Politics and Society in Transition*, ed. Joseph S. Tulchin and Andrew D. Selee (Boulder: Lynne Rienner, 2002), 25-26.

²⁰ North American Commission for Environmental Cooperation, *Who we are* ([http://www.cec.org/who we are/index.cfm?varlan=english](http://www.cec.org/who_we_are/index.cfm?varlan=english), accessed April 4, 2005) The environmental agreement complements some of the provisions of NAFTA. The NAAEC created the Commission for Environmental Cooperation (NACEC), which was established to address regional environmental concerns, help the potential trade and environment conflicts, and to promote the effective enforcement of environmental law.

²¹ Council for Environmental Cooperation, *Ten Years of North American Environmental Cooperation* (Council for Environmental Cooperation, June 15, 2004): 44. Articles 14 and 15 of NAAEC allow citizens to make submissions to NACEC regarding the failure of a NAFTA party to enforce its environmental laws. Under articles 14 and 15, if a submission is accepted by NACEC, NACEC commissions and publishes a factual record. If a factual record deems that environmental law has been continually violated, there are no requirements that action has to be taken. It is hoped that increased public attention to the matter will trigger governmental action.

violation can be fined and after a long process can eventually have NAFTA privileges suspended. However, this Article has never been invoked.²²

In addition to the mechanisms, few NACEC's programs have modestly contributed to increased funding, monitoring, and citizen participation. NACEC's Fund for Pollution Prevention Projects in Mexican Small and Medium Size Enterprises (FIPREV), and its North America Fund for Environmental Cooperation (NAFEC) are both sources of funds for industry and communities.²³ In light of the modest contributions of the environmental side agreement, Hufbauer and Schott have stated that "without NAFTA, the Mexican government would have had less incentive to pass environmental legislation or to improve its enforcements efforts, and the achievements, modest though they are, of Commission on Environmental Cooperation, NADBank, and BECC would not exist."²⁴

On the other hand, the Commission for Labor Cooperation was created under the North American Agreement on Labor Cooperation (NAALC).²⁵ The outcomes of the NAALC have been rather disappointing due to both their design as well as implementation. Some of the obstacles are the following: a) there is no intent to harmonize worker's rights, which allows each country to maintain its respective comparative advantages; b) there are no independent powers to supervise national authorities in the enforcement of labor laws and regulations; c) restrictions on protecting the 11 NAALC principles limit the application of sanctions to only three cases (child labor, minimum salaries, and safety and hygiene standards in the workplace) and leave collective rights unprotected; d) slowness of the arbitration process, and e) procedural disparity in each of the National Administrative Office (NAO).²⁶

The NAOs have received a total of 25 complaints. The distribution of the total number of complaints by country from 1995 to 2001 supports the initial assumption that Mexico is the country with the greatest challenges in complying with labor laws (16 complaints), followed by the United States (7 complaints) and Canada (2 complaints). The decrease in the number of complaints (4 in 1994, 1 in 1995, 2 in 1996, 3 in 1997, 10 in 1998, 2 in 1999, 1 in 2000, 2 in 2001, and none in 2002) demonstrates the loss of interest by trade union organizations in Mexico and the United States in testing the effectiveness of this instrument. In 1998, the NAALC became more dynamic because of the intensification of trans-border labor union cooperation.²⁷

Some of the concrete achievements resulting from the labor agreement are: pressure on Mexican authorities to implement a public registry of collective contracts; the imposition of a fine by Mexican authorities against a company (Hang Young) due to a violation of safety and hygiene standards; easing of the pregnancy testing requirement in *maquiladoras*; easing the practice of denouncing a worker's migratory status by work inspectors in the United States.²⁸

4. Security and Prosperity Partnership

²² Kevin P. Gallagher, *Free Trade and the Environment. Mexico, NAFTA, and Beyond* (Stanford: Stanford University Press, 2004), 77.

²³ *Ibid.*, 75.

²⁴ Gary Clyde Hufbauer and Jeffrey Schott, *North American Environment Agreement Under NAFTA* (Washington: Institute of International Economics, 2002).

²⁵ North American Agreement on Labor Cooperation (NAALC) (<http://www.naalc.org/>, accessed January 23, 2005). The Commission is formed of a Council of Ministers, a cabinet-level body in charge of policy-setting and decision-making consisting of the three labor ministers or their representatives; and a trinational Secretariat that provides support to the Council and to the independent Evaluation Committees of Experts and Arbitral Panels the Council may establish under the provisions of the Agreement. The Commission works in close cooperation with the National Administrative Offices (NAOs), created by each government within their own labor ministry to implement the NAALC.

²⁶ Bensusán, 128-129.

²⁷ Bensusán, 130.

²⁸ Bensusán, 131.

At the decision-making or governmental level, the prescription is that North America needs a cautious adaptation. On March 23, 2005, Presidents Bush and Fox and Prime Minister Martin announced the establishment of the “Security and Prosperity Partnership for North America.”²⁹ Unlike lofty official declarations, it is remarkable that ministerial-level working groups were established to identify concrete, measurable and achievable steps towards the Partnership’s goals. By June 2005, the ministers will issue their initial reports and thereafter the groups will report semi-annually.

One of the most relevant statements of the Partnership is the “Two-Speed European Style.” The document considers that “The Partnership is trilateral in concept; while allowing any two countries to move forward on an issue, it will create a path for the third to join later.” Likewise, the official proposal does not include any reference to migration or institutional development of any kind.

As indicated in its title, the North American partnership is divided into two sections. The first focuses on common security encompassing the following aspects: a) implementing common border security and bio-protection strategies; b) enhancing critical infrastructure protection, and implementing a common approach to emergency response; c) implementing improvements in aviation and maritime security, combating transnational threats and enhancing intelligence, and d) implementing a border-facilitation strategy to improve the legitimate flow of people and cargo. The second part of the partnership highlights four aspects of economic prosperity: a) improving productivity through regulatory cooperation to generate growth; b) promoting collaboration in energy, transportation, financial services, technology; c) reducing the cost of trade through the efficient movement of goods and people; and d) creating safer and more reliable food supply while facilitating agricultural trade and enhancing the stewardship of the regional environment.

It is interesting to note that the in the process of regionalization the trilateral annual meetings have become part of the agenda. The last meeting of the leaders was held in Cancun, Mexico, in March 2006, and the next meeting is set for sometime in 2007 in Ottawa, Canada. In Cancun, the three leaders discussed economic integration of the three countries, border security, energy security, emergency management, strengthening competitiveness through the North American Competitiveness Council, and preparing for the Bird Flu and other pandemics.³⁰

As a preface of the trilateral meeting in Canada, in February 2007 in Ottawa, U.S. Secretary of State Condoleezza Rice, Canadian Minister of Affairs, Peter MacKay, and Mexican Secretary of Foreign Relations, Patricia Espinosa, met to discuss the issues they felt were important for the upcoming summit. The issues they discussed included public health problems, environmental threats, natural disasters, clean energy, and combating criminal organizations. At a press conference, Secretary Rice stated that the United States and Mexico are concerned about each other’s prosperity, and that in order to solve the problem of illegal immigration into the US, it is important to bring prosperity and development to Mexico so Mexicans can work in their country and provide for their families. The three also answered questions about Iran and the role of Canada and Mexico in the War on Terror.³¹

Although it is still early to assess their scope, there are three intergovernmental regional institutions that may catalyze the interconnections in the area. The first is the North American Competitiveness Council was created to consider issues that could be addressed on a trilateral or bilateral level, provide long-term advice, provide input on compatibility of the security and prosperity agendas, and offer ideas on the private sector’s role in promoting North American Competitiveness.

The second is the North American Energy Working Group- this was organized in 2001 and incorporated as part of the SPP in March 2005. The NAWEG has nine expert groups working on

²⁹ White House, *Joint Statement by President Bush, President Fox, and Prime Minister Martin on Security and Prosperity Partnership of North America* (Crawford, Texas, March 23, 2005).

³⁰ <http://www.whitehouse.gov/news/releases/2006/03/print/20060331-4.html>

³¹ <http://www.state.gov/secretary/rm/2007/feb/81035.htm>

areas such as electricity, energy efficiency, hydrocarbons, natural gas trade, nuclear collaboration, oil sands, regulatory experts, and science and technology. The third is the North American Steel Trade Committee (NASTC) - this was formed in 2002, and incorporated into the SPP in March 2005. The NASTC is supposed to direct and launch a North American steel strategy to deal with the global steel market and government interference into it. It is supposed to work with the Organization for Economic Cooperation and Development (OECD) to eliminate distortions negatively affecting the North American steel markets.

5. Some alternative projects about the region

In the middle of the first decade of the 21st Century, there is a pervasive perception that free trade is not enough for North America. Unlike the late 1990s, this debate is not confined to university classrooms. Under different scientific assumptions and political motivations, most of the epistemic communities conceive a new stage in North America's regional development; this phase could be predicted in a minimalist fashion, namely, proposing a superficial adaptation of NAFTA, or in maximalist mode suggesting a European Union like entity, or a combination of both.

In the academic world, the debate on North American integration has been nurtured by a variety of scholars. Gary Clyde Hufbauer and Gustavo Vega-Cánovas elaborated the concept of the Common Frontier, which "... should be a work in progress for at least a decade, to foster closer integration of North America while preserving the essential sovereignty of each partner."³² Their proposal encompasses three main topics: border management, defence alliance and immigration.

With regard to border management, the premise is that security must start at the point of origin, rather than at the point of destination. This assumption has been indirectly applied in North America in cases such as the U.S. meat inspectors that routinely visit Canadian packing plants or the U.S. agricultural inspectors posted at Mexican avocado orchards. The second point develops the idea of a strong defence for all modes of entry into the perimeter (NAFTA area), considering four aspects: a) intelligence sharing is a precursor of everything else; b) NAFTA partners should seek agreement on circumstances that justify electronic surveillance of suspects within the common frontier; c) NAFTA partners should define circumstances when a NAFTA arrest warrant can be issued to detain a suspect anywhere within the common frontier; and d) NAFTA coast guard services need to enhance their cooperation.

Although immigration is not part of the official trilateral agenda, Hufbauer and Vega-Cánovas provide a pragmatic approach to enhance cooperation in order to diminish the automatic link between Mexican undocumented migrants and insecurity. They consider an initial division between non-NAFTA and NAFTA citizens. In the case of non-NAFTA nationals, the authors state that NAFTA partners should a) revise their visa policies jointly with the intention to synchronize program criteria, agreeing on an acceptable country list and length of stay, and b) create a special NAFTA force to handle all third country immigration controls at the individual's first airport of entry into NAFTA space. On the other hand, at least three options are considered for NAFTA nationals: a) creating an efficient system for handling legitimate travelers among the three NAFTA countries, b) making it easier for NAFTA citizens to retire anywhere in North America, and c) increasing the number of legal visas (300,000) on skills basis.

In Canada, the debate on the future of North America has been triggered by the *Big Idea*, proposed by Wendy Dobson.³³ She argues that Canada and Mexico should facilitate U.S. security

³² Gary Clyde Hufbauer and Gustavo Vega-Cánovas, "Whither NAFTA: A Common Frontier," in *The Rebordering of North America? Integration and Exclusion in a New Security Context*, eds. Peter Andreas and Thomas J. Biersteker (New York: Routledge, 2003).

³³ Wendy Dobson, "Shaping the Future of the North American Economic Space: A Framework for Action," *Commentary: The Border Papers*, no. 162 (April 2002).

goals, and in return the United States should commit to maintaining open borders even in the aftermath of an attack. Specifically, she recommends the consideration of a “strategic bargain,” a “pragmatic mix of customs-union-like and common market-like proposals plus Canadian initiatives” in areas of strength that are of particular interests for Americans. In the case of the U.S.-Canadian security relationship, Dobson proposes the following: a) investing in the border in order to have a more secure border with less obstacles; b) mutual recognition of the security of immigration from third countries; c) energy as part of bilateral security; and d) more active role for Canada on bilateral military defence.³⁴ On the other hand, she states that “we (Canadians) should proceed bilaterally but be open to including Mexico when it makes sense.”³⁵

Contrary to Dobson, Charles Barnett and Hugh Williams³⁶ have rejected the *Big Idea* approach. They submit that engaging in high-profile bilateral negotiations may well be a disadvantage for the weaker state, Canada. They urge a bilateral process where the issues are addressed in an incremental and pragmatic manner. In this regard, they summarize their approach by focusing on the following areas: a) expanding successful approaches, such as the Smart Border Declaration; b) encouraging security cooperation; c) working towards a common external tariff; and d) identifying mutual interest in international trade negotiations.

Along the same lines, in 2003 the Canadian Council of Chief Executives (CCCE) presented a strategy for advancing the Canadian-United States relationship. This strategy, entitled “Security and Prosperity: The Dynamics of a New Canada-United States Partnership in North America” or “Treaty of North America,” is based on five interlocking pillars: reinventing the border; maximizing economic efficiencies; building on resource security; sharing in continental and global security; and developing new institutions for managing the bilateral relationship.

For the CCCE, a European-style institutional arrangement characterized by supranational institutions is not the option. Under intergovernmental premises, they suggest three elements in the future institutional framework of North America. First, at the political level it must have the direct involvement of the President and the Prime Minister. Second, it should not create bureaucratic superstructures. Third, based upon the International Joint Commission for Boundary Waters between Canada and the United States, the creation of specialized joint commissions to foster bilateral cooperation.³⁷ Another remarkable feature of the CCCE proposal is the exclusion, at least temporarily, of Mexico. In view of one of its architects, “we (Canadians) recognize that in the post-9/11 world, the United States faces distinctly different challenges along its northern border with Canada than along the Rio Grande... In the longer term, trilateral solutions may be feasible even for difficult issues such as immigration controls, and all three partners certainly should continue efforts to build on NAFTA. The reality, though, is that the most urgent issues confronting Canada and the United States must be handled in the near term on bilateral basis.”³⁸

Gary Hufbauer and Jeffrey Schott have also reacted to Dobson’s approach. They have offered “more than enough advice on the substance of a North American initiative.”³⁹ In their view, rather than the ambitious vision of Dobson’s strategic bargain, the United States “will remain focused primarily on security issues, and to lesser extent on energy policy.” Thus, a practical step forward for North American integration could include: a) a common external tariff, b) U.S. and Canadian joint cooperation work to enhance energy supply, c) financial assistance to

³⁴ Wendy Dobson, 25-27.

³⁵ Wendy Dobson, 29.

³⁶ Charles Barnett and Hugh Williams, “Renewing the Relationship: Canada and the United States in the 21st Century,” *Conference Board Briefing* (February 2003).

³⁷ Thomas d’Aquino, *Security and Prosperity. The Dynamics of a New Canada-United States Partnership in North America* (Presentation to the Annual General Meeting of the Canadian Council of Chief Executives, Toronto, January 14, 2003): 9-11.

³⁸ Thomas d’Aquino, “Towards a New North America,” *ViewPoint Americas*, Council of the Americas 2, issue 2 (March 16, 2004).

³⁹ Gary C. Hufbauer and Jeffrey J. Schott, “The Prospects for Deeper North American Economic Integration: A U.S. Perspective,” *Commentary. The Border Papers* 195 (C.D. Howe Institute: January 2004), 20.

tackle environmental problems on the Mexican side of the border, and d) a joint Canadian-Mexican proposal for deeper economic integration.

On the other hand, there are other ideas regarding the transformation of NAFTA on very specific issues. One of them surrounds the issue of energy in North America, which has been present in the agendas of the presidents of Mexico and the United States and in some of the above mentioned proposals. When George Bush and Vicente Fox met in Guanajuato, Mexico, in February 2001, they issued a joint statement that called for “a North American approach to the important issue of energy resources.” What does this mean? It has been acknowledged that the creation of a North American energy area would lessen the US dependency on Middle East as well as Venezuelan oil. In order to surmount this obstacle, Castaneda and Garnels propose “a North American Energy Security Fund, overseen by an independent and transparent board, which could be established to issue \$75 billion of securities backed by oil revenues (not the oil itself) to finance the rapid expansion of Mexico’s oil production, leading to the doubling of exports by 2010.”⁴⁰

Contrary to minimalist approaches to integration in North America, in a very comprehensive proposal, Robert Pastor presents the North American Community. Considering the pros and cons of European integration, the North American Community would emphasize institutional development at the regional level as well as the creation of compensatory mechanisms to reduce the gap between Mexico and its two NAFTA partners. In this regard, three institutions could be created. Unlike the European Commission, a North American Commission should be “lean and advisory, made up of just 15 distinguished individuals, five from each country.” Likewise, a single North American Inter-Parliamentary Group would merge the bilateral inter-parliamentary groups with a problem solving approach. The third institution would be a Permanent Court on Trade and Investment, which would “permit the accumulation of precedent.” Along with these institutions, a North American Customs Union and a North American Customs and Immigration Force would contribute to enhance trade exchanges and security. Perhaps one of the most important features of this proposal is the North American Investment Fund that would invest \$200 billion in infrastructure over the next decade on the condition that Mexico increases its tax revenues from 11 to 16 percent of its GDP.⁴¹

Final thoughts

Twenty years ago, the intent of this article perhaps would be centered on the problematic cooperation between North and South as reflected in the relationship between Mexico and the United States. A decade ago, the inquiries might have been focused on the uncertainties of the nascent North American Free Trade Agreement. In 2005, it is accepted by most scholars and decision-makers that NAFTA must be revisited.

The options for North America analyzed in this paper resemble the old and new European debates about regional integration. On the one hand, there are the skeptical ideas which reject regional formulas entailing any evolution beyond free trade. Historically, sooner or later, such ideas eroded and were eventually replaced by more integration-oriented approaches in the European experience. On the other hand, regionally oriented perspectives that privilege collective solutions for facing the challenges of an interdependent world have shown that integration is possible. A similar debate along these lines is currently taking place in North America.

Despite the disagreements in the proposals for North America, there is also some consensus that we can foresee as taking place in the short term. A “selective customs union” and further

⁴⁰ Jorge Castaneda and Nathan Gardels, “How to tap Mexico’s potential,” *Financial Times*, March 8, 2005.

⁴¹ Robert Pastor, *Toward a North American Community: Lessons from the Old World to the New* (Washington D.C.: Institute for International Economics, 2001).

cooperation in the security seem to be at the forefront of the pragmatic agenda. Other attempts in this direction may have already started in an embryonic fashion, such as the reports to the three Executives that will be delivered next June in the context of the North American Partnership. Perhaps in 2010 the substance of a seminar like this will be different, hopefully more focused in deepening integration in North America.