

# BEATING THE ODDS: ACHIEVING NORTH AMERICAN ECONOMIC PARAMOUNTCY

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The ground breaking Canada-United States Free Trade Agreement of 1989 and the North American Free Trade Agreement (NAFTA) of 1994 were triumphs of vision and political will. They established an ambitious North American economic architecture and ushered in a period of business-led continental trade and investment expansion. The effects of these agreements on the domestic policies of Canada, the United States and Mexico were considerable. In the case of Mexico, in particular, the NAFTA was a powerful catalyst in the opening of the Mexican economy and in moving the country more decidedly in the direction of democratization.

The initial exuberance about North American prospects admittedly began to fade somewhat in the late 1990s prompting policy debates about ideas such as *NAFTA plus*, i.e. deepening and widening of the agreement. But it was the tragedy of September 11, 2001 (9/11) that would deal a devastating blow to prospects for the NAFTA's evolution and to the lofty dreams of a more integrated North America.

The United States understandably reacted sharply to the deadly terrorist attacks and moved quickly to secure the homeland. The most immediate impact was felt at the borders with the disruption of vital commerce. The creation by Congress of the mammoth Department of Homeland Security (DHS) followed and with it a "thickening" of the borders. So-called "smart border" agreements negotiated by the United States with Canada and Mexico did relatively little to relieve the tightening.

Some of us saw in the tragedy of 9/11 an opportunity to build a new North American paradigm driven by the imperatives of a dramatically changed environment. This called for enhanced North American security cooperation and for a trilateral economic architecture that would transcend the NAFTA. Business leaders, heads of government and think tanks launched various initiatives in support of this direction. For example, in 2003, we at the Canadian Council of Chief Executives tabled a plan for much closer continental economic and security integration titled the *North American Security and Prosperity Initiative (NASPI)*. It called for the elimination of barriers to the movement of goods and people across internal borders; the establishment of a North American security perimeter; maximizing economic efficiencies, primarily through harmonization or mutual recognition across a wide range of regulatory regimes; the negotiation of a resource security pact covering agriculture and forest products as well as energy, metals and minerals based on the two core principles of open markets and regulatory

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He serves on the Board of Directors of three Canadian-based global enterprises: Manulife Financial Corporation, CGI Group Inc., and Coril Holdings Ltd., and is Chairman of the National Gallery of Canada Foundation. From 1981 to 2009, he served as Chief Executive of the Canadian Council of Chief Executives (CCCE). Mr. d'Aquino assumed leadership of the Council in its formative stages and by 2009, member companies accounted for \$850 billion in annual revenues and \$4.5 trillion in assets. Mr. d'Aquino spearheaded Canada's private sector leadership in advancing the Canada-United States Free Trade Agreement and the NAFTA. He has served as Special Assistant to the Prime Minister, as Special Counsel and Senior Counsel to two of Canada's largest law firms, and as a Professor Adjunct on the law of international trade.

He is the recipient of many honors including the Aguila Azteca conferred on him by President Ernesto Zedillo. Mr. d'Aquino is the Canada Co-Chair of the North American Forum and Chair of the Canada B20/G20 Committee. He has addressed audiences in forty countries and in over one hundred cities worldwide.

compatibility; sharing the burden of defence and security; and new institutional mechanisms for closer cooperation and coordination.

In 2005, the leaders of Canada, Mexico and the United States adopted a *Security and Prosperity Partnership of North America (SPP)*. Under the umbrella of the *SPP*, a bold and comprehensive set of initiatives were launched that held out the promise of real and far-reaching change. In the meantime, thinkers across the continent articulated a vision for a much more closely integrated North America. A notable example was the work of the Council on Foreign Relations and the 2005 report of its trilateral independent task force titled *Building a North American Community*.

What has become of all these bold ideas and plans? Precious little, I regret to say. The NAFTA, once a shining example of leading edge statecraft, now is tired, unpopular and unappreciated. The grand design envisaged by the *SPP* has fallen into oblivion – a victim of partisan politics, bureaucratic overload and leadership neglect. The *North American Competitiveness Council (NACC)*, which grew out of the *SPP* and which annually brought the continent's business leaders together with the Prime Minister of Canada and the Presidents of Mexico and the United States with the goal of advancing North American productivity and innovation, fell by the wayside.

In painting this sombre portrait of lost opportunity, I am not oblivious to the fact that our respective governments represented at this Symposium by very able ambassadors and senior officials, have worked hard to keep the North American agenda moving forward. For example, work continues in areas such as border facilitation, regulatory cooperation, health and emergency management. From a Canadian perspective, I salute in particular the efforts of Ambassadors Doer and Jacobson, who are with us here today, in advancing the Canada-United States *Beyond the Border* and *Joint Regulatory Cooperation* initiatives.

At the April 2012 North American Leaders' Summit at the White House, our heads of government did discuss regulation, secure supply chains, energy and climate change, continental competitiveness, and citizen security. And in 2012, for the first time ever, Ministers of Defence of all three countries met to discuss threats to the continent and pledged closer cooperation.

However, the ambition of these discussions pale in comparison to what was envisaged and hoped for in the aftermath of 9/11. This is not surprising given the United States environment where "security trumps trade" and where a sharply divided Congress tries to come to terms with the severe economic fallout of the recent great recession including a total debt burden now approaching 17 trillion dollars.

In the meantime, the relative economic position of North America in the face of the rapid rise in power and influence of Asian emerging economies continues to deteriorate. It is often said that the best defence is a robust offense. I submit that the best offense that North America can muster at this time is to make up for a lost decade of opportunity and advance a comprehensive set of initiatives that will restore the continent to productive and competitive paramouncy.

Our respective leaders are well positioned to launch the offensive. President Obama begins his second term committed to effecting transformational change and restoring American competitiveness. President Nieto begins his first term promising to raise Mexican growth levels, open up the energy sector and deal with business monopolies. In Canada, a seasoned Prime Minister Harper is eager to promote closer continental cooperation at all levels.

As we go on the offensive, we are not without some powerful advantages. The continent continues to be home to the world's most innovative thinking and entrepreneurial spirit. Demography is on our side and we benefit from a mobile workforce. Our resource base is massive and recent technology offers the promise of continental energy independence within the decade. Manufacturing is making a comeback as well, particularly in Mexico.

Our three leaders need to think “big” and begin by identifying the overarching challenge to North America: the need to reverse our relative decline in the face of the soaring strength of the world's emerging economies – notably China, and transform our slow growth continent into a global powerhouse able to exercise economic leadership well into the 21<sup>st</sup> century.

A key element of such a strategy involves articulating a vision for North American cooperation that goes well beyond incremental change. Building on constructive initiatives currently underway and harnessing many of the creative ideas articulated over the past decade, I would welcome the following declaration at the next North American Leaders' Summit.

**With the goal of achieving the productive and competitive paramountcy of North America by the year 2020, and raising the standard of living of all our peoples to the first rank among nations, we pledge our three countries to the following seven-point action plan:**

- The creation of a North American customs union with the free flow of goods and services among us and a common external tariff;\*
- The establishment of a North American Border Pass that will facilitate the free movement of our respective nationals subject to clearly defined economic and security parameters;
- The establishment of a single continental energy market with the free movement of all energy products;
- The establishment of environmental standards and regulations compatible across our three countries;
- The establishment of an integrated continental innovation strategy that will marshal the closest possible cooperation among our industrial, scientific and educational communities;
- The establishment of an integrated ground, air and sea transportation network linking our three countries; and
- The creation of a North American Joint Economic Commission to administer the integration process and to resolve disputes.

The title of my paper contains the words “beating the odds” in recognition of the widely held view that moving towards a much more integrated North America faces overwhelming odds. And yet we know from experience that where the benefits of change are manifestly positive to the body politic, change can be achieved. The vital ingredient, of course, is leadership. Without underestimating the complexity

of this undertaking, I believe that joint action this year by Presidents Obama and Nieto and Prime Minister Harper can start the ball rolling in a serious way.

In asking this of our political leaders, we as private citizens have a vital duty to fulfill as well. The North America we envision will never come to be without the vigorous engagement of activists from all three countries working closely together. This Symposium provides an excellent platform for reaching out for the compelling “big idea” that beckons from just over the horizon.

The benefits of a customs union in reducing the impact and in some cases the relevance of internal borders for economic purposes is very significant. A customs union with a common external tariff would also necessitate greater synergies among Canada, Mexico and the United States in the exercise of external trade and investment policies. The engagement of all three countries in the Trans-Pacific Partnership Agreement and steps by Canada and the United States to pursue closer links with the European Union (as Mexico has already achieved), pave the way for a beneficial North American “strategic convergence” linked to both the Pacific and Atlantic.