

Creating a North American Community

*Chairmen's Statement
Independent Task Force on the Future of North America*

*Sponsored by the Council on Foreign Relations
in association with the
Consejo Mexicano de Asuntos Internacionales and the
Canadian Council of Chief Executives*

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CHAIRMEN'S STATEMENT

Introduction

When the leaders of Canada, Mexico, and the United States meet in Texas on March 23, they will be representing countries whose futures are shared as never before.

U.S. trade with Mexico and Canada accounts for almost one-third of total U.S. trade. U.S. trade with its North American neighbors substantially exceeds its trade with the European Union, and with Japan and China combined. In the energy sector, Canada and Mexico are now the two largest exporters of oil to the United States. Canada alone supplies the United States with over 95 percent of its imported natural gas and 100 percent of its imported electricity. In 2005, the borders between Canada, Mexico, and the United States will be crossed almost 400 million times.

North America has become more than a free trade zone or an expression of geography. We are three liberal democracies, committed to protecting individual rights, upholding the rule of law, ensuring equality of opportunity for our citizens, and achieving a reasonable balance between the market and the state.

The ever-deepening integration of North America promises enormous benefits for its citizens. These benefits, however, are neither inevitable nor irreversible. The process of change must be properly managed. As government officials, we wrestled on a daily basis with the challenges that North America confronts. Now, as private citizens, we are able to reflect more systematically on these challenges and to articulate a long-term vision of how to meet them.

To that end, we offer this Chairmen's Statement in anticipation of the trilateral summit, which comes at a pivotal time in our relationship. This statement reflects the consensus of the three chairmen and three vice chairs of the Task Force. The Task Force's complete report, to be issued in the spring, will take stock of the results of the Texas summit and reflect the views of the full Task Force membership. This statement does not necessarily represent the views of other Task Force members. The Independent Task Force on the Future of North America is sponsored by the Council on Foreign Relations in association with the Consejo Mexicano de Asuntos Internacionales and the Canadian Council of Chief Executives.

Eleven years ago, the North American Free Trade Agreement (NAFTA) liberalized trade and investment in most sectors, provided crucial protections for intellectual property, created pioneering dispute-resolution mechanisms, and established new procedures for enforcing labor and environmental standards. Since then, NAFTA has accelerated commercial exchange in North America, helping to unlock the region's economic potential and demonstrating that nations with different levels of development can negotiate commercial arrangements.

To build on the advances of the past decade and to craft an agenda for the future, we propose the creation by 2010 of a community to enhance security, prosperity, and opportunity for all North Americans. To that end, we propose a community based on the premise that each member benefits from its neighbor's success and is diminished by its problems. The boundaries of the community would be defined by a common external tariff and an outer security perimeter. Within this area, the movement of people and products would be legal, orderly, and safe. The overarching goal is to guarantee a free, safe, just, and prosperous North America.

What We Face

Today, our nations face three common challenges.

1. **Shared security threats.** Over the last decade, terrorist and criminal activity has underscored North America's vulnerability. All of the 9/11 terrorists succeeded in entering the United States directly from outside North America, but the arrest of a person in 1999 trying to cross the Canadian-U.S. border as part of a plot to bomb the Los Angeles airport shows that terrorists also will try to gain access to the United States through Canada and Mexico. Hundreds of thousands of people cross illegally into the United States each year and both Canada and Mexico also must deal with persistent flows of undocumented immigrants.

Failure to secure the external borders of North America will inhibit the legitimate movement of people and goods within the continent, to our collective detriment. After the 9/11 attacks, delays at the Canadian-U.S. border prompted unplanned parts shortages in both countries, costing manufacturing facilities millions of dollars an hour. These downstream consequences mean that Canada and Mexico have an overriding commercial interest in

increasing North American security, apart from any other considerations. In addition, future terrorist assaults could target sites in any of the three countries, and even an attack aimed exclusively at an American city or installation could spill over to Mexico or Canada. The reality of North American interdependence is that all three countries must work together to ensure the security of the continent.

Beyond terrorism, international criminal activity poses a continuing threat to public safety in the region. Perhaps most notable in this regard is drug- and gang-related violence along the Mexican-U.S. frontier. Because these threats cross borders, they cannot be addressed adequately by any one government alone.

Failure to address security issues will ultimately undermine gains on other fronts. In the North American context, failure to collaborate effectively to address security issues will have a direct impact on commercial relationships, as well as on our freedoms and quality of life.

2. **Shared challenges to enhance our competitiveness.** Over the last decade nations around the world, from China to India to Latin America to the expanded membership of the European Union, have become increasingly integrated into the global market. NAFTA dramatically spurred the pace of economic integration within North America, but we need to address issues that today place burdensome restraints on our ability to compete. Unwieldy rules of origin, increasing congestion at ports of entry, and regulatory differences among the three countries raise our costs instead of reducing them. Trade in natural resources, foodstuffs, and other key areas—including the crucial energy sector—remains far from free. Finally, the NAFTA partners have been unable to resolve a number of important trade and investment disputes, which have created friction in our commercial relationships.

3. **Shared interest in broad-based development.** While trade and investment flows have increased dramatically among our three countries, the development gap between Mexico and its two northern neighbors has widened. This disparity undermines cooperation on areas of common interest and gives rise to regional problems. Low wages and lack of economic opportunity in parts of Mexico stimulate undocumented immigration and contribute to human suffering, which sometimes translates into criminality and violence. *As a matter of*

their own national interests, all three countries should do more to encourage broad-based economic development in Mexico.

These challenges require urgent attention. Although North America remains the world's economic powerhouse, increasing global competition could undermine its long-run prosperity.

What We Can Do

Trinational collaboration is essential to ensure regional prosperity and security. Although there are some issues where bilateral cooperation has historically been much more intense—such as U.S.-Canadian military-to-military cooperation—there are many more issues for which a trinational approach would be beneficial. Shared concerns range from regional economic competitiveness to law enforcement, from energy security to regulatory policy, from dispute resolution to continental defense.

North America, moreover, is quite different from other regions of the world and must find its own cooperative route forward. A new North American community will not be modeled on the European Union or the European Commission, nor will it aim at the creation of any sort of vast supranational bureaucracy. Our vision of North America is one of three sovereign states whose formal collaboration must reflect their mutual interdependence while respecting their differences.

We focus our recommendations on the creation of a single economic space that expands the economic opportunities for all people in the region, and the establishment of a security zone that protects the region from external threats while facilitating the legitimate passage of goods, people, and capital.

We make six key recommendations:

1. **Create the institutions necessary to sustain a North American community.** We propose that the trinational summit become a regular event. Annual summit meetings among the three countries of North America will demonstrate the strategic importance of the North American community. We propose further the establishment of a North American Advisory Council to prepare and monitor action to implement the decisions made at these summits.
2. **Immediately create a unified North American Border Action Plan.** The threat of international terrorism originates, for the most part, outside of North America. Our external borders are a critical line of defense against this threat. Any weakness in controlling access to North America from abroad reduces the security of the continent as a whole and exacerbates the pressure to intensify controls over intracontinental movement and traffic, which increases the transaction costs associated with trade and travel within North America.

The governments of Canada, Mexico, and the United States should articulate as their long-range goal a common security perimeter for North America. In particular, the three governments should strive toward a situation in which a terrorist trying to penetrate our borders will have an equally hard time doing so no matter which country he elects to enter first. Like free trade a decade ago, a common security perimeter for North America is an ambitious but achievable goal that will require specific policy, statutory, and procedural changes in all three nations, including:

- Harmonization of visa and asylum regulations, including convergence of the list of “visa waiver” countries;
- Harmonization of entry screening and tracking procedures for people, goods, and vessels (including integration of name-based and biometric watch lists);
- Harmonization of exit and export-tracking procedures;
- Full sharing of data about the exit and entry of foreign nationals;
- Joint inspection by the three countries of container traffic entering North American ports, building on the Container Security Initiative between the United States and Canada; and

- A commitment to a common approach to international negotiations related to global movement of people, cargo, and vessels.

Enhance law enforcement cooperation. The security cooperation of the three countries should also extend to cooperation on counterterrorism and law enforcement and could include the establishment of a trilateral threat-intelligence center, the development of trilateral ballistics and explosives registration, and joint training for law enforcement officials from the three countries, among other measures. Rapid progress in trilateral law enforcement cooperation will be possible only insofar as the respective governments protect the integrity of their public institutions and root out any systemic corruption that may exist.

Expand defense cooperation. In addition to strengthening cooperation among counterterrorism and law enforcement agencies in all three countries, it is essential to build on the strong foundation of the continent's existing military agreements. The most important step is to expand the binational North American Aerospace Defense Command (NORAD) to make it a multiservice Canadian-U.S. command with a mandate to protect the maritime as well as air approaches to North America. In addition, Canada and the United States should invite Mexico to consider more extensive information-sharing and collaborative planning involving military organizations to build mutual trust and perhaps pave the way for more cooperation in the future.

3. **Adopt a common external tariff.** We recommend that the three governments begin by **harmonizing external tariffs** on a sector-by-sector basis to the lowest prevailing rate consistent with multilateral obligations. They should begin with goods on which current tariffs are closest, then proceed to close larger gaps, with the goal over time of adopting a common external tariff, thus eliminating the need for complex and costly rules of origin. We recommend that the three countries enter into negotiations in an effort to find a joint approach to unfair trade practices and anti-competitive behavior, including dumping. We call for creating a permanent roster of panelists for the NAFTA ad hoc dispute-resolution panels to improve consistency, predictability, and efficiency.

The three countries should accelerate and expand implementation of existing "smart border" action plans to facilitate intra-North American travel and commerce. **The three countries should develop a secure North American Border Pass with biometric**

identifiers. This document would allow its bearers expedited passage through customs, immigration, and airport security throughout the region. Over the longer term, it should be possible to rethink fundamentally the systems for national control of intracontinental travel and trade. This will be particularly true if the three countries make genuine progress toward establishing a common security perimeter. North America is different from Europe, of course, but it is instructive that the members of the European Union have managed largely to eliminate physical border controls. **The governments of Canada, Mexico, and the United States should commit themselves to the long-term goal of dramatically diminishing the need for the current intensity of the governments' physical control of traffic, travel, and trade within North America.**

4. **Stimulate economic growth in Mexico.** To realize the full benefits of economic integration, and to ensure that these benefits are distributed broadly, Mexico must increase and sustain a rate of growth commensurate with its development goals. Mexico must devise a set of policies that commands broad public support and decide on the steps it will take to attract investment and stimulate growth. In conjunction, the United States and Canada should support Mexico by **establishing a North American Investment Fund** to create infrastructure to link the poorer parts of the country to the markets in the north, and to support education and technical training for Mexican states and municipalities committed to transparency and new development. The fund should be seen as a productive investment by all three countries in the future competitiveness of North America's economic zone.

5. **Develop a North American energy and natural-resource security strategy.** A reliable supply of key natural resources is essential to the region's long-term security and prosperity, while respecting each country's individual policies and priorities. To that end, the three governments should develop a comprehensive joint plan to expand and protect energy infrastructure, fully develop continental reserves, conserve fossil fuels, and reduce emissions. Ultimately, regional collaboration on conservation and emissions could form the basis for a North American alternative to the Kyoto Protocol.

6. **Deepen educational ties.** Given its historical, cultural, political, and economic ties, North America should have the largest educational-exchange network in the world. We recommend the expansion of scholarship and exchange programs for students at both the secondary and university levels, the development of a network of Centers for North American Studies in all three countries, and cross-border training programs for elementary- and secondary-school teachers.

TASK FORCE CHAIRS

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PEDRO ASPE is CEO of Protego, a leading investment banking advisory firm in Mexico. Mr. Aspe was most recently the Secretary of the Treasury of Mexico (1988–94). He has been a professor of economics at ITAM and has held a number of positions with the Mexican government.

WILLIAM F. WELD is a principal at Leeds Weld & Co., a private equity investment firm in New York. Previously Mr. Weld was elected to two terms as Governor of Massachusetts (1991–97), served as Assistant U.S. Attorney General in charge of the Criminal Division of the United States Department of Justice in Washington, DC (1986–88), and as the U.S. Attorney for Massachusetts during the Reagan administration (1981–86).

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ROBERT A. PASTOR is the Director of the Center for North American Studies, Vice President of International Affairs and Professor at American University. From 1977 to 1981 he was Director of Latin American Affairs on the National Security Council. He has a Ph.D. in government from Harvard University and is the author or editor of 16 books, including *Toward a North American Community: Lessons from the Old World for the New*.

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