

The Future of North America

Replacing a Bad Neighbor Policy

Robert A. Pastor

ON JANUARY 20, 2009, if not before, a new national security adviser will tell the incoming president of the United States that the first two international visitors should be the prime minister of Canada and the president of Mexico. Almost every new president since World War II has followed this ritual, because no two countries in the world have a greater impact economically, socially, and politically on the United States than its neighbors. The importance of Canada and Mexico may, however, come as a surprise to most Americans, as well as to the new president. In the presidential campaign, instead of discussing a positive agenda for North America's future, the candidates have focused critically on two parts of that agenda, the 14-year-old North American Free Trade Agreement (NAFTA) and immigration. And overall, one could conclude from listening to the campaign that Iraq is key to U.S. national security, China is the United States' most important trading partner, and Saudi Arabia and Venezuela supply most of the United States' energy.

None of these propositions is true. For most of the past decade, Canada and Mexico have been the United States' most important trading partners and largest sources of energy imports. U.S. national security depends more on cooperative neighbors and secure borders than it does on defeating militias in Basra.

ROBERT A. PASTOR is a Professor at and Founding Director of the Center for North American Studies at American University. He is currently writing a book entitled *The North American Idea*.

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The new president will take office at a low moment in U.S. relations with its neighbors. The percentage of Canadians and Mexicans who have a favorable view of U.S. policy has declined by nearly half in the Bush years. The immigration debate in Congress and the exchange between the two leading Democratic presidential candidates on who dislikes NAFTA more has left a bitter taste in the mouths of Canadians and Mexicans. The ultimatum issued by Senators Hillary Clinton (D-N.Y.) and Barack Obama (D-Ill.) to Canada and Mexico—renegotiate NAFTA on U.S. terms, or else—hardly displayed the kind of sensitivity to the United States' friends that they have promised. On the other side, Senator John McCain (R-Ariz.) has offered such an unvarnished defense of NAFTA that it would appear he feels nothing more is needed. Moreover, although an author of legislation on immigration reform, McCain retreated from such reform after being harshly criticized. CNN's Lou Dobbs' reports on the disastrous effects of illegal immigration and trade seem to have had a more profound effect on the national debate than many people have thought. Indeed, the candidates seem to have accepted Dobbs' variation on Hobson's choice—either reject NAFTA or suffer decline as a candidate and as a nation.

Sadly, the United States' leaders are looking backward at NAFTA rather than forward by articulating a new vision of shared continental interests. NAFTA has become a diversion, a piñata for pandering pundits and politicians—even though it succeeded in what it was designed to do. It dismantled trade and investment barriers, and as a result, U.S. trade in goods and services with Canada and Mexico tripled—from \$341 billion in 1993 to more than \$1 trillion in 2007—and inward foreign direct investment quintupled among the three countries and increased tenfold in Mexico between 1990 and 2005. North America, not Europe, is now the largest free-trade area in the world in terms of gross product.

The new U.S. administration needs to replace a bad neighbor policy with a genuine dialogue with Canada and Mexico aimed at creating a sense of community and a common approach to continental problems. The new president must address the full gamut of North American issues not covered by NAFTA, as well as the governance issues arising from the successful enlargement of the market. North

America's leaders should deepen economic integration by negotiating a customs union. They should establish a North American investment fund to narrow the income gap between Mexico and its northern neighbors. This would have a greater effect on undocumented immigration to the United States than so-called comprehensive immigration reform. And they should create a lean, independent advisory commission to prepare North American plans for transportation, infrastructure, energy, the environment, and labor standards.

For the last eight years, North America's experiment in integration has stalled. The new president needs to restart the engine.

THE NORTH AMERICAN DISADVANTAGE

NO PRESIDENT has met with his counterparts in Canada and Mexico more and yet accomplished less than George W. Bush. Between February 2001 and April 2008, President Bush met the Mexican president 18 times and the Canadian prime minister 21 times. All three huddled together 12 times.

What have they accomplished? They have devised a North American game of Scrabble with intergovernmental committees meeting periodically to spell new acronyms that purport to be initiatives. NAFTA set the precedent with 29 working groups. President Bush brought the Scrabble game to a higher level, inventing and discarding new acronyms with great abandon. In his first visit to Mexico in February 2001, he announced the goal of building an NAEC (North American economic community). Seven months later, during a visit by the Mexican president to the White House, Bush abandoned the community in favor of the P4P (Partnership for Prosperity). To deal with security fears arising from 9/11 and economic fears that a more formidable border would reduce trade, the United States signed separate "smart border" agreements with Canada and Mexico. These gave birth to still more working groups and initiatives, including FAST (Free and Secure Trade), PIP (Partners in Protection), C-TPAT (Customs-Trade Partnership Against Terrorism), WHTI (Western Hemisphere Travel Initiative), IBETS (Integrated Border Enforcement Teams), ACE (Automated Commercial Environment). SENTRI provided a fast-lane approach to the U.S.-Mexican border, and

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NEXUS did the same for the U.S.-Canadian border. No one explained why they could not do this with one, rather than two, acronyms—or rather one agency and procedure rather than two.

In March 2005, the SPP, the Security and Prosperity Partnership of North America, replaced the P4P. This was another bureaucratic exercise aimed at delivering “measurable results” to make North America more competitive and secure. It initially listed 300 goals, almost all technical—for example, to harmonize regulations on jelly beans or eliminate “rules of origin” regulations, which tax the part of each product that is not made in North America. After three years, officials still have not harmonized jelly-bean labels, but they have removed “rules of origin” provisions on \$30 billion of goods. That may sound like a lot, but it represents less than the growth of annual trade in North America. A year later, in 2006, the three North American leaders invited a group of CEOs from some of the largest corporations in North America to establish the NACC (North American Competitiveness Council). They focused on 51 recommendations, which included eliminating pesky regulations, and agreed on the need to work “under the radar screen” of public attention.

If you measure progress by examining the growth in trade, the reduction in wait times at the borders, and the public’s support for integration, all of these initiatives have failed miserably. The growth in trade in the Bush years has been less than one-third of what it was in the previous seven years—three percent versus 9.8 percent. The wait times have lengthened, and public opinion toward the rest of North America in all three countries has deteriorated, in part because the United States failed to comply with NAFTA on issues (for example, trucking and softwood lumber) of great importance to Canada and Mexico.

North American integration has stalled in the Bush years for several reasons, beginning with 9/11, which led to intense security inspections on the two borders, creating giant speed bumps for commerce. A study of the U.S.-Canadian border found a 20 percent

Assaults from both ends of the political spectrum have transformed the debate on North America.

