



Capítulo I

El papel de América del Norte dentro de la Nueva Geografía Mundial: Retos y Oportunidades

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Mexico's Future in North America – Its Third Challenge

SUMARY: I. Introduction. II. The Re-Birth of North America. III. Assessing NAFTA. IV. The North American Agenda. V. The Third Challenge. VI. Bibliography.

I. Introduction

Mexico began its journey to independence in 1810. A century later, it commenced a struggle for social justice, and a century later – in 2010 – it is in the middle of a third challenge to define North America and redefine itself as one of the region's three sovereign nations. Like the two previous journeys to independence and social revolution, the path toward North America is likely to be long and uncertain, but it is equally consequential. If it succeeds, Mexico will transform not just itself and North America but the world as profoundly as when it broke the chains of colonialism and instilled meaning in the phrase "social justice."

In this essay, we will first discuss the emergence of the revolutionary idea of "North America," assess the performance of the North American Free Trade Agreement (NAFTA), which is the platform on which a new region is being constructed, and then sketch a vision of the future and the steps that are needed to reach it.

II. The Re-Birth of North America

How far back can we locate the "North American idea?" To listen to critics of North American cooperation, one might think that the three nations were endowed by the creator to have internal borders at the Rio Grande and the 49th parallel.

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In fact, the story began about 65 million years ago when a huge asteroid about six miles in diameter, hurtling through space at a speed of about 60,000 miles per hour since the beginning of time, collided with the northern tip of Mexico's Yucatan peninsula. The geographical outlines of the new continent were defined by that 100 megaton explosion and the slower emergence of the Rocky Mountains that emptied the continent of the Bearpaw Sea that had previously divided it into two long, thin islands.

The continent's genetic code is composed of strands of geography, trade and technology that connect North America and strands like European colonialism and nationalism that divide the region. North America is the product of this contradictory heritage.

When we think of the human migration to North America, one usually begins with Christopher Columbus's stunning voyage in 1492, but of course, he was greeted by the children of those who arrived mostly from Eurasia thousands of years before. The name, "America," did not, however, come from the Genovese discoverer but from a Florentine, Amerigo Vespucci, whose letter about his explorations of the new world, caught the attention of a German printer, who published a map in April 1507 with his name on a new continent between Europe and Asia. Thirty years later, another geographer, Gerardus Mercator published a map that separated the two new continents, and thus was born the idea of "North America," actually "*americae paras septentrionalis*."

The three European colonizers – from Spain, England, and France - shaped each part of North America in their images, but Mexico's indigenous civilization, which was as advanced as that of Europe at the time, helped define the country at least as much as Spain. The United States of America was the first of the three countries to declare independence, and it firmly established the democratic principles first implanted by the English colonists. Mexico's "grito" (cry of independence) came next, and its institutions reflected the hierarchical structure of Spanish colonialism and the power of the Church, the landed oligarchy, and the military. Finally, Canada, which was comfortable with being a part of the mother country in England, moved gradually to independence, beginning with the establishment of Dominion Status in 1967.

In the early 19th century, Mexico was the wealthiest of the three entities, and its population was larger than that of the United States, but by the beginning of the 20th century, the United States had emerged as the world's great industrial powers with a population of 75 million – nearly six times larger than Mexico's and fifteen times that of Canada. The growing power of the United States led Mexico and Canada to seek ways to protect themselves from the middle colossus.

In 1985 when Prime Minister Brian Mulroney proposed a free trade agreement with the United States, and in 1990, when Mexico's President Carlos Salinas proposed to widen that agreement to include Mexico, the gross domestic product of the United States was about twenty times larger than Mexico's and ten times larger than Canada's. Asymmetry, whether based on wealth or power,

remains the defining characteristic of the relationship of North America's three states, and history has reinforced this imbalance. In contrast to Europe where its catastrophic wars propelled its post-World War II leaders to unify, North America has been divided by its history and, more precisely, by its memory of nineteenth century conflicts.

'Americans do not know, but Canadians cannot forget,' writes Seymour Martin Lipset, 'that two nations, not one, came out of the American Revolution.' America emerged confident and proud of its revolution, and Canada defined itself to a considerable extent as 'that part of British North America that did not support the [American] Revolution'.¹ In 1812, the United States tried, but failed, to annex Canada, and the fear that the formidable Union army in 1865 might trek north to try again to expel the British was the principal reason why Canadians sought independence, and why the British accepted it in the form of Dominion in 1867 within the British Empire. (Both judged correctly that the United States was less likely to make war against an independent Canada).²

Canadians remained wary of a close relationship with the United States. In 1911, the Canadian Prime Minister lost an election for concluding a free trade agreement with the United States. Thirty-seven years later, Prime Minister William Lyon McKenzie King refused, at the last minute, to approve a freer trade agreement with the United States, evidently fearing a similar political result.

Having lost its war and one-third of its territory in the nineteenth century and having suffered several military interventions in the early twentieth century, Mexico's distrust of the United States was deeper than Canada's. Because it was less stable, prosperous, and democratic, Mexico also bears a heavier sense of inferiority. For this reason, any proposal from the United States to reduce trade or investment barriers was usually met with a curt rejection when officials deigned to respond.³

The rationale for a more distant relationship with the United States was most clearly articulated by a young intellectual in the 1980s. 'In the case of two nations as disparate in size, power, and wealth as Mexico and the United States,' wrote Jorge G. Castañeda, 'the weight of economic superiority can be crushing and can lead to a permanent loss of significant attributes of sovereignty and cultural identity.' Castañeda, who would become Mexico's Foreign Minister during the first two years of the Vicente Fox Administration (2000-02), believed that integration could lead to 'political subservience in foreign policy and domestic affairs, as well as a progressive fading of the country's heretofore vigorous cultural personality.' Mexico, he feared, could

¹ Seymour Martin Lipset, *Continental Divide: The Values and Institutions of the United States and Canada*, N.Y.: Routledge, 1991.

² Michael Howlett, Alex Netherton and M. Ramesh, *The Political Economy of Canada: An Introduction* (N.Y.: Oxford University Press, 1999), p. 163.

³ In the 1970s, the Carter Administration proposed a number of possible agreements to minimise trade disputes, and Ronald Reagan, during his campaign and his Administration, also proposed a 'North American Accord,' a free trade agreement.

become 'less Mexican,' and so the best foreign policy was to keep Washington at arms' length.⁴

Given the history and the imbalance in power, perhaps the only way to have reached a North American Free Trade Agreement was for America's neighbors to lead. And, of course, that is what occurred, starting in the mid-1980s by Canada. In the 1970s, the Liberal Party under Pierre Trudeau had given Canadian nationalism an edge that made many Canadians proud and others, very uneasy. A national election in 1984 brought the Progressive Conservative Party under Brian Mulroney to power with a large majority and a new belief that a more export-oriented strategy was essential for Canada's economy.

President Ronald Reagan responded positively to Mulroney's proposal for a free-trade agreement, and both governments negotiated and signed an agreement in 1988. In the same year, Mulroney won re-election, and the free trade agreement was heatedly debated with the Liberals strongly opposed.

The reversal on free trade by Mexico and its President Carlos Salinas was even more startling than Mulroney's. Mexico had a history of defensive nationalism, particularly aimed at its neighbor, that was always more strident than Canada's. In the mid-1970s and the early 1980s, Mexico sharply restricted foreign investment and increased the state's role in the economy. When the debt crisis threatened to bankrupt the country in 1982, its leaders reassessed their development strategy and embarked on an export-oriented policy. The government imposed fiscal discipline, sharply reduced tariffs and limitations on foreign investment, and privatized state corporations.

When Salinas took office in December 1988, he understood that the success of the Mexican economy depended on whether it could reduce its debt and attract large sums of private investment. He went first to Western Europe, but found the governments focused on helping Eastern Europe after the end of the Cold War. He went next to Japan, but found them very cautious about challenging the U.S. in its neighborhood. He pondered his next step, realizing that the opening of Mexico's economy in the previous five years had left it vulnerable to arbitrary acts of protectionism by the United States, and that the Canadian Free Trade Agreement, which had just been concluded, had addressed that concern. He therefore turned to Washington for a free trade agreement and for the key that would presumably unlock the door of foreign investment.⁵

NAFTA became the first draft of a constitution of North America, but it was defined in very narrow and business-like terms. It aimed to eliminate all trade and investment barriers and level the playing field on procurement,

⁴ Robert Pastor and Jorge Castañeda, *Limits to Friendship: The US and Mexico* (N.Y.: Alfred A. Knopf, 1988).

⁵ This summary of Carlos Salinas' views on trade is derived from numerous interviews that the author had with Salinas from 1979 through 1994 and particularly during the period, 1989-92, when his views on NAFTA took shape.

telecommunications, banking, services and other sectors.⁶ To secure the market, the three governments created a state-of-the-art dispute-settlement mechanism. Instead of trying to establish an institution for negotiating the reduction or harmonization of policies, as the EU did, NAFTA selected a few sectors and harmonized the policies. The agreement was a minimum one that reflected the Canadian and Mexican fear of being dominated by the U.S. and the U.S. antipathy toward bureaucracy and supra-national organizations. It was an 'invisible hand,' a classical liberal framework whose principal shared goal was the elimination of impediments to trade.

At the same time, it signaled a different approach by all three countries to the "North American idea." With the strengthening of the European Union and the emergence of East Asia as a dynamic region, all three countries of North America had a stake in creating a platform that could compete with other regions. The double dividend of NAFTA is that it permitted all three countries to re-think their places in the world and their relationships with their neighbors at the same time.

III. Assessing NAFTA

There is a vast literature on the consequences of NAFTA which reflects to a certain extent the debate that preceded it.⁷ In an astute review of the debate on NAFTA, Sidney Weintraub shows that many of the arguments of both advocates and opponents use similar criteria – related to the balance of payments or the gain and loss of jobs. Weintraub argues persuasively that these criteria are misleading and that a more useful assessment of NAFTA's progress would be based on its effect on total trade, productivity, intra-industry specialization, industrial competitiveness, environmental effects, and institution-building.⁸

With regard to NAFTA's principal goals on trade and investment, the agreement has been a resounding success. In 1993, Mexican tariffs averaged about 10 per cent, 2.5 times those of the United States. By 1999, Mexican tariffs fell to 2 per cent while import licensing and other non-tariff barriers

⁶ For a description and preliminary analysis of NAFTA, see Pastor, R.A. *Integration with Mexico: Options for U.S. Policy* (Washington, D.C.: Twentieth Century Fund, 1993); and see Hufbauer, G.C. and Schott, J.J. *NAFTA: An Assessment* (Washington, D.C.: Institute for International Economics, 1993, revised edition).

⁷ For a review of that literature, see Pastor, R.A. *Toward a North American Community: Lessons from the Old World for the New* (Washington, D.C.: Institute for International Economics, 2001), Chapter 4

For an excellent assessment of the original agreement, see Hufbauer and Schott *NAFTA: An Assessment*; Grayson, G. *The North American Free Trade Agreement: Regional Community and the New World Order* (Lanham, Md.: University Press of America, 1995); Orme, W.A.Jr. *Understanding NAFTA* (Austin: University of Texas Press, 1996).

⁸ Sidney Weintraub, *NAFTA at Three: A Progress Report* (Washington, D.C.: Center for Strategic and International Studies, 1997, chapter 2).

were eliminated. Tariff barriers on sensitive agricultural products were removed in 2008.

All three economies became more connected. More national firms became North American, producing and marketing their products in all three countries. The first seven years of NAFTA constituted the period of greatest expansion of trade and job-creation –in the U.S. NAFTA does not deserve the credit for all or even much of this job growth, but it surely cannot be blamed for serious job loss. In an econometric analysis of the effects of NAFTA, the World Bank estimated that because of NAFTA, by 2002, Mexico's GDP per capita was 4-5 percent higher, its exports were 50 percent higher, and its foreign direct investment was 40 percent higher.⁹

Given the much larger size of the U.S. economy, NAFTA's effect on the United States was much smaller and harder to measure. Still, if one focuses only on jobs, U.S. employment grew from 110 million in 1993 to 137 million in 2006 and in Canada, from 12.9 million to 15.7 million. U.S. manufacturing output increased by 63% from 1993 to 2006.¹⁰ The international sector of all three economies grew, and export-oriented firms pay wages 13-16 percent higher than the national average.¹¹ Needless to say, as the market expanded, and the competition grew more intense, there were more winners and losers, but as consumers, all North Americans benefited with more choice, higher quality, and less expensive goods.

Trade more than tripled, and foreign direct investment expanded more than five-fold, and the fears of some Canadians and Mexicans that the United States would buy their economies turned out to be false. Despite the growth in FDI, the U.S. share in Mexico and Canada actually declined. At the same time, Canada and Mexico became the two largest sources of energy imports into the United States.

Intra-regional exports as a percentage of total exports - an index of integration - climbed from around 30 per cent in 1982 to 57 per cent in 2000. As in the auto industry - which makes up nearly 40 percent of North American trade - much of this exchange is either intra-industry or intra-firm - two other indicators of an increasingly integrated economy. Many industries and firms have become truly North American.

There are still other signs of an increasingly integrated community. Mexico strengthened its environmental laws, and after seventy-five years of single party rule in Mexico, in the year 2000, a highly professional electoral service, trained in part by Canadian election officials, conducted an election that was very closely contested. The result was an unprecedented acceptance of the process and outcome by all Mexican parties and the international community and a peaceful transfer of power. Indeed, the Mexican election

⁹ Daniel Lederman, et. al., *Lessons from NAFTA* (Washington, D.C.: World Bank, 2005), p. 2, 60.

¹⁰ Canadian-American Business Council, citing Schwab, April 7, 2008.

¹¹ Hufbauer and Schott, p. 38-41.

was much more effectively administered than the one in the United States in the same year.¹²

The signatories of NAFTA deliberately wanted to avoid establishing any bureaucratic or supra-national institutions. The core of the agreement was therefore self-executing or designed to be implemented by each government. Both the Commission for Labor Cooperation (CLC) and the Commission for Environmental Cooperation (CEC) provide citizens, corporations, unions, and non-governmental organizations an avenue for presenting their complaints. In the case of the labor agreement, since 1994, the Commission received 23 complaints – 14 were directed against Mexico, seven against the United States, and two against Canada.¹³ Both Commissions reflect the caution of their governments. No one has criticized them for being too aggressive or trying to forge common responses on difficult questions such as pollution on the border or labor rights in the apparel industry.

During the past decade, Mexico changed from an oil-dependent economy to an urban one based on manufactured exports. The impact on Canada was also quite pronounced. NAFTA deepened Canada's dependence on the U.S. market, but it also helped diversify and internationalize its economy. Canada's trade as a percentage of its GDP expanded from 52.4 per cent in 1990 to 74.2 per cent in 1999 - making it the most trade-oriented country in the G-7/8.¹⁴

As for the United States, its total trade as a per cent of GDP increased by 25 percent during the 1990s. Given the size of the U.S. economy and the rapid growth of jobs in the 1990s, those who predicted substantial job loss were wrong. While Mexico and Canada grew more dependent on the United States - up to 90 per cent of its trade and with exports accounting for 35 per cent of its GDP - the United States also grew more dependent on its two neighbors. More than one-third of the total trade of the U.S. is now with its two neighbors.

An evaluation of NAFTA should not be confined just to trade and investment criteria or the side agreements. One needs to view NAFTA as the center of a unique social and economic integration process and of an effort to redefine the relationship between advanced countries and a developing one.

The flow of people, cultures, food, music, and sports across the two borders have accelerated even more than the trade in goods and services. In 1996, the first destination for most American tourists abroad was Mexico; 20 million Americans went. The second most popular destination for American tourists was Canada; 13 million travelled there. In 2003, the same pattern held, although fewer Americans travelled abroad - only 15.8 million to Mexico. Of

¹² For a detailed analysis of the electoral systems in the three countries and the ways in which each has and can learn from each other, see Pastor, R.A. symposium editor, 'Democracy and Elections in North America: What Can We Learn From Our Neighbours?', *Election Law Journal*, Vol. 3, No. 3 (2004).

¹³ For the submissions, see <www.dol.gov/dol/ilab/public/programmes/nao>; also see: <www.naalc.org>

¹⁴ Department of Foreign Affairs and International Trade of Canada, *Opening Doors to the World: Canada's Market Access Priorities, 1999* (Ottawa, 1999), p.1.

the millions of tourists, who visit the United States each year, the vast majority (20 million) come from Canada. The second source is Mexico (7.5 million in 1996 and 10 million in 2003).¹⁵ In 2000 alone, people crossed the two borders 500 million times.

The most profound impact came from those people who crossed and stayed. The Pew Center estimates that there were about 28.4 million Mexicans – representing two-thirds of 44 million Hispanics – in the United States in 2006. Nearly two-thirds of them have arrived in the last two decades.¹⁶ As many as 600,000 Americans living in Canada were eligible to vote in the 2004 U.S. election - more than those voting in six U.S. states.¹⁷

The increase in numbers of immigrants understates their social impact. While the overall population of the United States grew by 13.2 per cent in the last decade of the twentieth century, the Hispanic population increased 57.9 per cent and of Mexicans, by 52.9 per cent. About 30 per cent of the immigrants living in the United States today are from Mexico.¹⁸ While half of all Hispanics live in California and Texas, during the past decade, the Hispanic population in Oregon doubled; in Minnesota, tripled; in Georgia, quadrupled; and in North Carolina, quintupled.¹⁹

Remittances have played an increasingly important role in the relationship between Mexicans in the United States and their relatives. A Mexican government report estimates that Mexican workers send their families about \$17 million a day, and in 2000, that amounted to \$6.2 billion - in the last decade, \$45 billion.²⁰ A survey found that 61 per cent of Mexicans had relatives living outside the country, mostly in the United States, and 21 per cent received remittances from family members working in the U.S.²¹

The outlines of a new North America are now visible, and one sign is the growing literature on the future agenda for the region - aimed more on what NAFTA omitted than what it contained. President Vicente Fox pressed that agenda most vigorously at the governmental-level, but the Canadian Parliament, Research Institutes, and many American scholars have raised

¹⁵ Barbara Crosette, 'Surprises in the Global Tourist Boom,' *New York Times*, 12 April 1998, IV5; and Fry, E.H. *Canada's Unity Crisis: Implications for U.S.-Canadian Economic Relations* (N.Y.: Twentieth Century Fund Press, 1992), 78; Chicago Council on Foreign Relations, CIDE, and Consejo Mexicano de Asuntos Internacionales, 'Comparing Mexican and American Public Opinion and Foreign Policy,' 2004, 14.

¹⁶ Pew Hispanic Center, *Statistical Portrait of Hispanics in the United States, 2006* (Washington, D.C.: Pew Center, 2006), Table 5.

¹⁷ Tara Brautigam, "As Many As 600,000 American Living in Canada Eligible to Vote in U.S. Election," *Canadian Press* (Canada.Com News), October 18, 2004.

¹⁸ Martin, P. and Midgley, E. 'Immigration: Shaping and Reshaping America,' *Population Bulletin*, Vol. 58, No. 2 (June 2003), Population Reference Bureau, p. 31.

¹⁹ Guzman, B., U.S. Census Bureau, U.S. Department of Commerce, 'The Hispanic Population: Census 2000 Brief,' C2KBR/01-3, May 2001.

²⁰ 'Remesas de Migrantes Equivalen a 83 per cent de la Inversion de EU en Mexico,' *La Jornada*, 30 October 2000. For the more recent estimate, see Ferriss, S. 'An Altered View of Mexican Immigrants.'

²¹ Chicago Council on Foreign Relations, CIDE, and Consejo Mexicano de Asuntos Internacionales, 'Comparing Mexican and American Public Opinion and Foreign Policy,' 2004, p. 14.

issues and made specific proposals on where North America should go from here.²²

IV. The North American Agenda

Trade and investment grew fast between 1994 until 2001, and then it slowed and stalled. The restrictions on border traffic imposed by the U.S. after 9/11 compounded a downward trend. If you measure progress by examining the growth in trade, the reduction in wait-times on the border, and the public's support for integration, the North American experiment peaked in 2001. The growth in trade in the Bush years was less than half of the previous seven years – 11.5% to 5.2%.²³ The wait-times lengthened, and public opinion in all three countries steadily deteriorated through the Bush Administration, partly because the U.S. failed to comply with NAFTA on issues – e.g., trucks and softwood lumber – deemed of great importance to our neighbors.

In fact, North American integration stalled in the Bush years for the following reasons:

- First, China joined the World Trade Organization in 2001, and its exports to all three North American countries grew so fast that in 2007 it overtook Mexico as the second largest trading partner of goods and services of the United States.
- Secondly, 9/11 introduced steroid-sized speed-bumps on our two borders with more intense security inspections. A KPMG Study of the U.S.-Canadian border found a 20 percent increase in border delays crossing southbound and a 12 percent increase in delays northbound since 9/11.
- Third, there has been very little investment in infrastructure on the borders and almost none in roads connecting the three countries. Thus, the delays are longer and more costly than before NAFTA. The steel industry recently estimated waiting times for their shipments of 5-6 hours, which result in an annual cost of \$300-\$600 million.²⁴ Another study estimated that the additional delays added a cost of 2.7 percent of the goods.²⁵

²² See, for example, Fry, E.H. 'North American Economic Integration: Policy Options,' Policy Papers on the Americas, Vol. XIV, Study 8 (Washington, D.C.: Centre for Strategic and International Studies, July 2003); Goldfarb, D. 'Beyond Labels: Comparing Proposals for Closer Canada- US Economic Relations,' C. D. Howe Institute Backgrounder (Toronto, October 2003; <www.cdhowe.org>); House of Commons of Canada, Partners in North America: Advancing Canada's Relations with the United States and Mexico: Report of the Standing Committee on Foreign Affairs and International Trade (Ottawa, December 2002, www.parl.gc.ca); and Pastor, R.A. 'North America's Second Decade,' Foreign Affairs, Vol. 83, No. 1 (January/February 2004).

²³ Robert A. Pastor, *The North American Idea*, manuscript, Chapter 1, Figure 1.9, p. 18.

²⁴ "The Border Story – A North American Steel Industry Perspective," February 2008, pp. 5-6.

²⁵ For a summary of the different studies, see HDR, *Imperial Valley-Mexicali Economic Delay Study: Final Report*, November 19, 2007, pp. 22-28.

- Fourth, the “rules of origins” provisions take so long that many firms simply use the standard tariff, rendering NAFTA meaningless.
- And finally, trucks cannot cross the Mexican border. Despite NAFTA’s mandate to permit Mexican trucks to cross the border in 1995, the first trucks – beginning with 55 – crossed in March 2008 on a pilot project that Congress stopped, provoking retaliation by Mexico in accordance with a World Trade Organization decision. (As a point of reference, about 4.2 million Mexican trucks bring their products to the border each year).²⁶ Each year, more than 4 billion pounds of fruits and vegetables are placed on trucks in the south of Sonora. When the trucks reach the border crossing at Mariposa, the produce is unloaded in a warehouse, then retrieved by another truck that takes it about five miles into Arizona, where it is unloaded again into another warehouse, and then finally, retrieved by an American carrier. With 280,000 trucks coming to this one crossing, think of the inefficiency and cost of transferring fresh produce three times to cross a border.

Intra-regional trade among the three North American countries as a percent of their global trade increased from 36 percent in 1986 to 46 percent in 2000. From that high-point, it steadily declined until it reached 41 percent in 2007.²⁷ Auto parts, for example, cross the borders eight times in the course of assembling a North American car. With added security, inadequate infrastructure, and the interruption of trucking from Mexico, the transaction costs not only exceed the tariff that was eliminated, they also are much higher than we impose on foreign cars that only have to enter the United States once. This explains why the North American advantage has become a disadvantage.

Congress passed a Western Hemisphere Travel Initiative requiring U.S. and Canadian citizens and others to have passports to cross the border without appropriating funds to process more passports. Finally, while more than two-thirds of North American trade cross the borders by truck, and while that trade increased three-fold, our leaders failed to build new roads.

In March 2005, a Task Force of the Council on Foreign Relations issued a report, *Building a North American Community*, which had bold recommendations on ways to accelerate economic integration. The three leaders viewed those recommendations as either unrealistic politically or undesirable and instead decided to avoid public debate and Congress and pursue a low profile, corporate and bureaucratic approach. In fact, this initiative stirred fears that the government and big business were concealing a grand scheme to undermine American sovereignty and create a “North American Union (NAU).” The conspiracy-types view SPP as the roadmap to perdition, and the so-called NAFTA super-highway as

²⁶ RTI International, *The Economic Benefits of Expanding the Border-Crossing for commercial Vehicles at the Mariposa Crossing in Nogales, Arizona: Final Report*, June 2007, p. 2-12.

²⁷ Robert Pastor, *The North American Idea*, manuscript, Chapter 1, p. 19.

its main corridor. No one proposed a North American Union, which would have subsumed all three countries into a single entity, and the only ones who talk about the idea are those who see it as treason and oppose any cooperation with Canada and Mexico.

An imperfect storm transformed the debate on North America. From the right came cultural fears of being overrun by Mexican immigrants. From the left came economic fears of job loss due to unfair trading practices. Conservative talk-show hosts pushed the storm forward with their heavy breathing. In the face of their attacks, the Bush Administration was silent, referring critics to their website, which denied myths without making the case for North America.

A North American Vision of Community.

It is clear that the Bush Administration's incremental, quiet, business-based, dual-bilateral approach failed to promote economic integration and closer collaboration. Instead, it provoked a nativist opposition, but also some legitimate concerns. It was a mistake to allow CEO's to be the only outside advisors on de-regulation or harmonizing regulations. Civil society and the Parliaments must be heard on these issues, which are less about business than about how to pursue environmental, labor, and health goals together with our neighbors. Secondly, free trade is clearly not enough. Those groups who pay the price of increased competition need to share the benefits and need to have a safety net that includes wage insurance, trade adjustment and education assistance, and health care. Free trade is also not enough to permit Mexico to climb to the first world.

The dual-bilateral approach (U.S.-Mexico; U.S.-Canada) is also not working. It exacerbates asymmetry. It leads Washington to ignore or impose its will, and it causes Mexico City and Ottawa to retreat or be defensive. Given the imbalance in power and wealth, a truly equal relationship may be elusive, but it is in the long-term interests of all three to build institutions that will compensate for the imbalance. The genius of the Marshall Plan was that the United States used its leverage not for short-term gain but to encourage Europe to unite. That kind of statesmanship is needed to step beyond short-term and private interests and construct a healthy North America.

There are other reasons for a North American approach. If three governments rather than two sit at the table, they are more likely to focus on rules than power, on national and continental interests rather than the interests of specific companies or unions. On issues like transportation and the environment, a three-sided dialogue could lead to North American plans, but even on border issues, the three nations could benefit from comparing procedures and borrowing the ones that work the best.

A North American approach needs a vision based on the simple premise that each country benefits from its neighbors' success, and each is diminished by their problems or setbacks. With such a vision, it becomes logical to consider a North American Investment Fund to reduce the income disparity between

Mexico and its northern neighbors. Without such a vision, or with a vision of our neighbors as the problem or part of it, a proposal like that has no chance.

The three leaders should commit to building a new consciousness, a new way of thinking about one's neighbors and about the continental agenda. We can be nationals and "North American" at the same time and be enhanced by the dual identity. To mitigate the dangers and expand the benefits of a more integrated and less regulated market requires continental plans and institutions. North America's model is unlike Europe's; it respects the market and distrusts bureaucracy more. It is much more pragmatic, but some institutions are needed to propose a continental agenda and proposals, monitor progress, and enforce compliance.

With this vision, we need to imagine a different North America. The first step is to deepen economic integration by eliminating the costly and cumbersome rules of origin, allowing all legitimate goods to pass across the borders. This requires negotiating a customs union with a common external tariff at the lowest levels. This won't be easy as there are other free trade agreements that will need to be reconciled, but it won't be as hard as NAFTA, and it will further the efficiency of the North American economy. A smaller step, which could have as large an economic impact, would be to comply with NAFTA and permit trucks, which are certified for safety, to travel in all three countries, and to harmonize regulations on the size and weights of trucks.

The second step is to secure our borders and the continental perimeter, and the best approach would be to train Canadian, Mexican, and American officials to work together on the borders and the perimeter, share intelligence, and eliminate duplication of forms.

A third challenge is to narrow the gap in income that separates Mexico from its northern neighbors by establishing a North American Investment Fund, which would target \$20 billion a year to connect the central and south of Mexico to the United States with roads, ports, and communications. Using the premise of a North American Community, all three governments should commit to the goal of narrowing the income gap, and each would decide how it could best contribute. Since it will benefit the most, Mexico should contribute half of the fund and also undertake reforms – e.g., fiscal, energy, and labor - to ensure that the resources would be most effectively used. The United States should contribute 40 percent to the Fund, and Canada, 10 percent.

Since NAFTA, the northern part of Mexico grew ten times faster than the south because it is connected to the U.S. and Canadian market. We can wait one hundred years for the south of Mexico to catch up, or we can help accelerate their development with positive consequences on migration and in showing the developing world that free trade and infrastructure investment are the recipe for moving into the first world.

The three leaders should continue to have Summit meetings, at least annually, and they should establish a North American Commission composed of independent and distinguished leaders - from academe, civil

society, business, workers, and farmers with an independent research capacity. The Commission should propose ideas for the leaders and then monitor the progress of the agreements. The leaders would continue to be staffed by their governments, but they would respond to a continental – rather than a dual –bilateral – agenda. The Commission should develop a North American Plan for Transportation and Infrastructure, a plan for educating the students of all three countries to their differences and their commonalities and to a shared vision. Other North American plans should be drafted on labor, agriculture, the environment, energy, immigration, drug-trafficking, and the borders.

To educate a new generation of students to think North American, each country should begin by supporting a dozen Centers for North American Studies – comparable to the Title VI Centers funded by the U.S. Department of Education, the EU Centers in the three countries funded by the European Union, and the US-Canadian Centers funded by the Canadian government. The three governments should open a competition by universities for these Centers. Each Center should educate students, undertake research, and foster exchanges with other North American universities for students and faculty.

This is a formidable agenda that could transform North America and each of its members. It is not conceivable without a vision, and it is not feasible without real leadership. But with both, it becomes possible. A North American Community means that the United States would consult its neighbors on important issues that affect them. It means that Canada will work closely with Mexico to build rule-based institutions and to develop a formula for closing the development gap. It means that Mexico will undertake reforms that could make good use of the additional resources to close the development gap. It means that all three countries will foster a consciousness of being both a national and a member of North America.

This is a very different agenda than re-negotiating NAFTA and a very different approach to improving working conditions and the environment than by re-writing NAFTA and threatening to raise tariffs. Labor and environmental issues should be part of the North American dialogue to improve the continent, but there is no evidence that foreign investors move to Mexico in order to take advantage of lax labor and environmental rules. Quite the contrary, Mexico's labor laws are too rigid. Moreover, they incorporate the core labor standards, though the U.S. does not, and so technically, re-writing the labor provisions of NAFTA would require the U.S. to accept the ILO convention, not Mexico. As for its environmental laws, Mexico's standards are quite good, but it lacks funds for enforcement or clean-up.

Similarly, the immigration issue needs to be addressed in a very different way. A fence is necessary at some places, but it is insulting everywhere, and thus, if the United States is going to try to forge a community, it needs to articulate an approach that acknowledges that U.S. is complicit with its demand for cheap labor. More importantly, if the U.S. were to join with Mexico in a

serious commitment to narrow the income gap, then it would be easier for Mexico to accept stricter enforcement of U.S. immigration laws.

V. The Third Challenge

Despite criticism of NAFTA during the campaign, President Barack Obama quickly recognized the importance of his two neighbors and scheduled his first two meetings with his Mexican and Canadian counterparts, and in August 2009, the three leaders met in Guadalajara for a North American Leaders' Summit. They identified several issues to pursue together – competitiveness, climate change and energy security, and border management. This is a good agenda but clearly insufficient to the magnitude of the task that awaits the three countries.

The strident nationalistic voices have intimidated leaders who seek cooperation, but there are many surveys of public opinion in all three countries, and these speak for all the people not just those who have radio talk shows. The surveys have found that values in all three countries in North America are similar and converging. The public of all three countries are friendly toward each other, waiting for a bold vision for North America, and remarkably pragmatic in contemplating new economic and political relationships if they could be convinced it will improve their standard of living.

Mexicans, Canadians, and Americans like and trust each other more than they do other countries. Thirty-eight percent of the people in all three countries identify themselves as “North American,” and a majority of the public would favor some form of unification if they were persuaded it would improve their standard of living without harming the environment or diminishing their identity. A majority believe that free trade is good for all three countries, although all three countries believe free trade has benefited the others more than them. A majority of the public in all three countries would prefer “integrated North American policies” rather than independent policies on the environment and border security and a plurality on transportation, energy, defense, and economic policies.²⁸

Given these surveys, the obvious question is why are the leaders so timid? Perhaps one reason is that those who fear integration feel much more intensely than those who hope for a new relationship. Regardless, the time has come for the three leaders to define a clear and far-reaching vision of a North American Community that is distinct from Europe's experience, though capable of learning from it. North America does not need to have intrusive, supra-national institutions, but it does need some institutions to pursue a bold agenda that

²⁸ Ekos, “Rethinking North American Integration”, 2005.

includes a Customs Union, a North American Investment Fund, and a Common Team of Customs and Border Guards to man the borders and the perimeter.

If North America wants to compete against the European Union and East Asia, it cannot march backwards, and it cannot stand in place without falling behind.

The third challenge for Mexico is one that it shares with its neighbors – to redefine the face of North America for the 21st century. This is a journey that began with the signing of NAFTA in November 1992, but it is one in which the three countries have been far too timid and have failed to listen to the needs and the aspirations of their people. It is a journey that needs to find a path to narrow the development gap between middle-income countries, like Mexico, and industrialized countries. It is one that needs to design transnational institutions that enhance rather than diminish the sovereignty of its neighbors by addressing transnational issues in a more effective way. The vision needs a blueprint and political will. The journey will take decades, but we must start now – in the third century of Mexico's independence.

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