



A Vote for Change and U.S. Strategy for North American Integration

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The 2008 presidential election in the United States has become paradoxical. On the one hand, the dominant theme of virtually every candidate in the party primaries was “change.” And since there is no incumbent candidate (neither a sitting president nor a sitting vice president is running this year) for the first time since 1928, there will be a break with the current administration regardless of who wins the presidency. And on the other hand, turbulent financial markets, an unsettling conflict with global terrorist groups, and the dislocating effects of globalization have led many voters to express a desire for a change – away from the changes that they have experienced since the end of the Cold War. Americans want a change in the White House to bring them stability in an uncertain world.

It is worth remembering that compared to Europe, North America has been a conservative continent. Noted political scientist and sociologist Seymour Martin Lipset once said that Canada was, “a country of evolution, not revolution,” in contrast with the United States. In Mexico, the legacy of bloodshed and violence that accompanied the Mexican Revolution (1910-1920) left its mark, and helped produce the most durable one party state of the 20th century; when the country embraced democratic politics in the 1990s in the midst of economic and other changes, the conservative side of the Mexican political culture remained strong. The United States is perhaps the only one of the three North American countries where a major party candidate could give himself the label of “maverick” and benefit politically from the association with a strong-willed and untamed colt.

The North American Free Trade Agreement (NAFTA) reflects the conservatism of this continent. Rather than pool sovereignty, or delegate it to new, supranational governance institutions, the federal governments of Canada, Mexico, and the United States each reserved sovereignty to themselves. NAFTA eliminated tariffs and ended national preferences in government procurement. It allowed governments to opt for dispute settlement panels whenever there was a disagreement over how one country had applied

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its domestic law – essentially, an administrative review mechanism – to ensure transparency and prevent abuses. However, such panels were formed only when needed and their determinations were given no precedential weight. Although critics pointed to NAFTA’s investor-state dispute settlement provisions, contained in Chapter 11 of the agreement, as a blow to national sovereignty in favor of private interests, in practice, the decisions of Chapter 11 panels to date have been modest, utterly failing to live up to the horror-filled forecasts of their effect on the power of governments to regulate in the public interest. NAFTA allows any one of the three countries to withdraw from the agreement unilaterally after giving 12 months notice to the others.

The spirit behind NAFTA was to limit governments’ ability to intervene in the market on behalf of their own citizens. In this sense, it produced less governance, rather than more, a sharp contrast with Europe and consistent with the more conservative, market-oriented political economy that generally prevails in North America.

Where Europe created institutions to work towards the standardization of regulation for an integrated economy, and even created institutions to promulgate and administer regulations common to the entire continent, in North America, NAFTA called only for regulatory counterparts in the three federal governments to engage in talks on remaining barriers to trade, such as product standards, regulation, and inspection practices. When NAFTA was ratified narrowly during the Clinton administration, American officials believed that there was no political mandate for making concessions in such talks. Several of the tri-governmental working groups set up under the aegis of NAFTA never actually met; others met, but never accomplished anything; a few, such as the North American Energy Working Group made progress, and kept meeting during the administration of George W. Bush.

The September 11, 2001 terrorist attacks on the United States led to a renewed U.S. policy focus on border security. A vigorous debate in Congress from 1993 to 1996 had resulted in legislation that tightened border security, committed funds to repair and expand aging infrastructure, and mandated entry-exit record keeping at U.S. land borders, but key provisions of the 1996 law were never implemented and resistance from Canada and Mexico was cited as the reason by U.S. border officials.

Following the 2001 attacks, the United States signed a Smart Border Agreement with each of its neighbors, committing to work together on a specific list of improvements to border management and infrastructure. These agreements provided for closer government-to-government cooperation at the federal level to address a range of vulnerabilities from inadequate infrastructure to limited cross-border intelligence sharing. However, Canadians and Mexicans undertook cooperation defensively, in order to maintain market access to the United States for their citizens and exports. NAFTA had seemed to promise more open borders, similar to Europe’s, but U.S. actions after 2001 fortified existing borders instead. The action items set forth in the Smart Border

Agreements were largely completed by 2004, but both Canada and Mexico felt that further reform of border policies was needed.

Following the 2004 U.S. elections, President Bush met with Canadian Prime Minister Paul Martin and Mexican President Vicente Fox to propose a follow-up to the Smart Border Agreement that would revive talks on economic regulation, which had largely stalled since NAFTA. The Security and Prosperity Partnership of North America (SPP) was launched at the president's ranch in Texas in March 2005 and committed the three leaders to annual summits; designated cabinet counterparts to oversee the process through periodic ministerial meetings; and established twenty tri-governmental working groups, ten for security topics and ten for economic topics, to conduct negotiations aimed at improving, streamlining and eliminating burdensome rules and inspection procedures. The SPP was an attempt at governmental cooperation and coordination, and still did not involve any alteration of national sovereignty.

At their annual summits in Cancun (2006), Montebello (2007), and New Orleans (2008), the three North American leaders tinkered with the SPP process, adding a mechanism for business input, clarifying the objectives for streamlining of regulation, and establishing targets, such as an agreement on mutual assistance in emergency response situations, and agreement on mitigating economic hardship caused by response to phyto-sanitary concerns.

The SPP has improved the government-to-government relationships between Canada, Mexico, and the United States, deepening them to include civil servants at the working level of each federal government. However, the SPP has been a failure in two important respects: its limited transparency has fueled conspiracy theories that hold that the SPP is a plot to reduce national sovereignty in each country; and it has failed to allay public concerns, mainly in the United States, that NAFTA has hurt U.S. prosperity more than it has helped – despite the ample economic data which provides evidence to the contrary.

This is the immediate backdrop for the 2008 U.S. elections when it comes to North America's particular (some would say peculiar) approach to integration and governance. It may help to explain why, after 15 years, NAFTA is still controversial with voters. In the Democratic Party primaries, Senators Barack Obama and Hillary Clinton pledged to open new talks aimed at fixing problems in NAFTA, and Senator Obama even threatened he would withdraw from NAFTA if Canada and Mexico refused to make the changes he wanted on environmental and labor standards. He later moderated these remarks, explaining them as campaign rhetoric, though he insisted his desire to pursue changes was sincere.

At the same time, there is a strong protectionist mood in the United States Congress that has seized many Republicans as well as Democrats. While President Clinton and President Bush were both able to win the authority to pursue trade negotiations from past Congresses, both had lost that authority by the end of their terms; it is possible that the

next U.S. president will be unable to receive the authority at all, preventing him from exercising leadership to revive the Doha Round of global trade talks. Opposition to bilateral trade agreements with Colombia, Korea, and Panama has prevented these from receiving a ratification vote, as Members of Congress seek to avoid appearing to favor the reduction of trade barriers, even those that friendly foreign countries maintain against U.S. exports.

It is possible, therefore, that following the 2008 elections, the SPP (or a renamed successor initiative with similar features) will become more important for the next president. Controversially, the SPP was designed to operate under the regulatory and rule-making authority granted to the U.S. executive branch by Congress through specific statutes. Although tariff policy is specifically granted to the Congress under Article 1 of the U.S. Constitution, therefore requiring Congress to grant presidents the authority to negotiate any change to tariff rates, the administration of the laws made by Congress is the responsibility of the executive branch under Article 2. Therefore, the SPP can proceed to eliminate barriers to further integration and to streamline inspection processes without a separate grant of negotiating authority from a protectionist Congress. It may be that the SPP will be a precursor for future U.S. negotiations between the next administration and key allies.

However, the most important source of U.S. resistance to further North American integration is not to be found in Congress or even the next president's attitude. Instead, it is the perception of many U.S. voters that North American integration is a manifestation of globalization. Many fear that negotiations, like those conducted under the SPP, might undermine national sovereignty and weaken border security, leaving them more vulnerable to economic change, terrorism, and other threats. Accordingly, they support protectionist candidates and those that take their side against NAFTA, Mexican migration, weak Canadian security measures, and other perceived dangers.

Yet since September 11, 2001 the United States economy has survived a series of shocks, from Hurricane Katrina to the surge in oil prices. Jobs have been lost, but job creation has remained strong. U.S. growth and prosperity have proved remarkably resilient during this period, and one reason for this is the remarkable flexibility and adaptability of the U.S. economy, which has been powerfully enhanced through integration with Canada and Mexico, whose economies add natural resources, energy, labor, and additional consumers (Canada and Mexico remained strong export markets for the United States when U.S. exports were struggling elsewhere).

After the 2008 election, the 44th president and the 111th Congress of the United States will have an opportunity to continue to build on North American economic integration. But to do so, U.S. leaders will need to begin to portray this integration as lowering the risks of unwelcome change for U.S. voters. They can also proudly point to the preservation of national sovereignty in all of the steps taken thus far, to counter the critics who have accused the three governments of selling out in the past, but without proof. For

the United States, North American integration should be understood as increasing energy security, secure market access to two countries that disproportionately favor American brands and quality, and who share an interest in protecting all North Americans from future terrorist attacks through close security and intelligence cooperation, at and beyond shared borders.

This vision of continental integration differs sharply from Europe's, but in many ways, the desire for preventing future violence and greater prosperity for ordinary citizens is the common goal of the leaders pursuing integration on both continents. But the politics of integration play differently on the two continents: progressive Americans take a cautious, prudent approach to further liberalization; while conservative Americans favor free markets and free trade but worry over the potential loss of U.S. sovereignty. On November 4, 2008, Americans will vote more or less conservatively for change they can believe in that puts their country first.

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