



THE 4th ANNUAL NORTH AMERICAN PROCESS SYMPOSIUM: *INTENT, REALITY, AND FUTURE OF THE NORTH AMERICAN FREE TRADE AGREEMENT*

A WORKING SYMPOSIUM

**OCTOBER 5-7, 2017
PUEBLA, MEXICO**

SYMPOSIUM SUMMARY

www.northamericanprocess.org

THE NORTH AMERICAN PROCESS: INTENT, REALITY, AND FUTURE OF THE NORTH AMERICAN FREE TRADE AGREEMENT

OCTOBER 5TH - 7TH, 2017
PUEBLA, MEXICO

SYMPOSIUM SUMMARY

Please note: The following session and working group summaries are based on a series of notes taken during the symposium and should not be considered formal or final proceedings. The notes are presented here to add detail and context, but are not necessarily the final word of the speakers, moderators or symposium organizers.





OPENING RECEPTION, OCTOBER 5, 2017

Opening and Welcoming Remarks: **Sonia Barnetche Frías**, Vice President, Universidad Anáhuac México; **David Bercuson**, Associate Area Director, International Policy and Trade, School of Public Policy, University of Calgary; **Jonathan Koppell**, Dean, College of Public Service and Community Solutions, Arizona State University

Keynote address: A Discussion on North America

Keynote Speaker: **Jaime Serra Puche**, Senior Partner and Chairman of Board, SAI Consultores, S.C., former Chief NAFTA negotiator & former Mexican Minister of Commerce and Finance

Moderator: **Carlos Camacho Gaos**, Director, School of Global Studies, Universidad Anáhuac México

Mr. Jaime Serra Puche noted that NAFTA is perceived as a trade agreement, but it was initially developed as a geopolitical agreement that provided a framework for a regional rule of law for Mexico. Over the two-plus decades the agreement has been in effect, Mexico's inflation rate and its currency fluctuation rate have converged with that of the United States. Mr. Serra indicated that 80% of the U.S. trade deficit is with countries and regions with whom the U.S. does not have a trade agreement, yet NAFTA receives much of the blame for the U.S. trade deficit. NAFTA helps the U.S. be more competitive with the Chinese, as joint production with Canada and Mexico lowers the cost of production: \$0.40 of every dollar exported by Mexico contains U.S.-made parts, while only \$0.04 of every dollar exported by China is U.S.-made.

Mr. Serra suggested the following four principles for the NAFTA renegotiations: negotiations should be trilateral; nothing is agreed until everything has been agreed; avoid protectionist measures within North American region; update NAFTA to include rules of the digital economy and institutional agreements that promote the exchange and production of goods and services between the three countries. In conclusion, he noted that protectionism will negatively affect the competitiveness of the region and that NAFTA can be enhanced and be part of the solution rather than the problem.



OPENING REMARKS, OCTOBER 6, 2017

Amb. Alma Patricia Soria in representation of Governor José Antonio Gali Fayad, Constitutional Governor of the state of Puebla.

PLENARY PANEL 1: NAFTA'S ORIGINAL INTENT

Moderator: Andres Rozental, President, Rozental and Associates

Panelists:

Jonathan Fried, Coordinator for Economic Relations, Global Affairs Canada

Francisco de Rosenzweig, Partner, White and Case

Eric Farnsworth, Vice President, Council of the Americas

The panelists indicated that, despite some of the unintended consequences of NAFTA, the trade agreement has done what it was intended to do – increase trade in North America. NAFTA has also created additional positive externalities: it has improved trilateral relationships, made North America more competitive in world markets, and bolstered national security by strengthening information sharing. As policymakers are convening in Washington D.C. on October 11th to start

the third of four negotiation sessions about modifying NAFTA, moderator, Andres Rozental opened the first plenary session by saying it would be a worse deal for all NAFTA nations to add administrative burdens to NAFTA rather than to scrap it entirely.



The Trans Pacific Partnership (TPP) was designed to modify NAFTA. The TPP would have provided new rules that would have addressed some of NAFTA's problems. It would have also expanded our countries' trading relationships with partners on both sides of the Pacific. President Barack Obama hesitated to move forward with the TPP, and President Donald Trump immediately abandoned the deal.

*"It is important to review history so you don't repeat it."
– Jonathan Fried, paraphrasing George Santayana*

Canada's close proximity to the United States led the country to use some protectionist mechanisms to defend itself from U.S. expansionary efforts. Mr. Fried pointed out that when domestic markets open up to international competition it can cause businesses to struggle in the short-run, but in the long-run businesses become more competitive. Over time, Canada and Mexico began to reduce trade barriers as the U.S. brought investment and opportunities for trade. Canada began deregulating the gas industry in the 1980s and electricity in the 1990s, which opened up even more opportunities for trade with the United States.

Mr. Fried cited Carla Hills, an original NAFTA negotiator, as saying that if all three nations were going to enter into a free trade agreement, that they should all be contributors and seen as equals. As NAFTA was being written and negotiated, government authorities in the U.S. realized that they would not be able to finish all of the negotiations before the end of the Bush Administration. The U.S. government permitted 'fast-track approval' to NAFTA negotiators in order to meet their tight deadline. The rationale behind the fast-track approval was that NAFTA would lead to an increase in U.S. jobs. NAFTA was left as a living document when signed into law. Other countries could join and any nation could withdraw from the agreement at any time. Mr. Fried also stated the importance of modernizing NAFTA because it faces many challenges ranging from a need for expedited border crossings to rules about data collection and management.



According to Eric Farnsworth, NAFTA is incredibly successful if measured by an increase in trade between the three countries. Trade has tripled since NAFTA was signed. Mr. Farnsworth added that NAFTA has also been successful as a tool for the development of Mexico. NAFTA has boosted Mexico's economy and helped the country build strong a democracy based on the rule of law. NAFTA has also improved border security and has reduced undocumented immigration from Mexico to the United States (immigration between the United States is presently net 0). Mr. Farnsworth did note, however, that U.S. citizens have changed their perception of NAFTA. It is no longer seen as a relationship between three countries, but rather a contract that can be broken.

Francisco de Rosenzweig articulated Mexico's inexperience in trade agreements during initial NAFTA negotiations. Mexico forged through NAFTA trade agreement proceedings in hopes that the relationship would lead to new economic options and increased domestic development. According to Francisco, now that NAFTA has been in effect for 25 years, Mexico is better positioned to attract foreign investment. He also pointed out that there are two major challenges confronting Mexico as it tries to attract more foreign investment. Mexico must improve their security mechanisms to increase stability in their markets and economy overall, and Mexico must diversify their exports. The Mexican economy is largely reliant on manufacturing and oil, which can lead to large fluctuations in Mexico's economic stability. Francisco closed by saying that Mexico's burgeoning trade negotiation experience from the last 25 years will make the nation more adept at negotiating better trade deals for Mexico in the future.



PLENARY 2: NAFTA'S FUTURE: WHERE DO WE GO FROM HERE? AREAS FOR IMPROVEMENT

Moderator: Jonathan Koppell, Dean, College of Public Service and Community Solutions, Arizona State University

Panelists:

David Bercuson, Associate Area Director, International Policy and Trade, School of Public Policy, University of Calgary

Carlos Camacho Gaos, Director, School of Global Studies, Universidad Anáhuac México

Jim Kolbe, Former U.S. Congressman and Senior Transatlantic Fellow, German Marshall Fund of the U.S.



*“The narrative about NAFTA in the US does not reflect Mexico’s economic vitality and close manufacturing relationship with the U.S.”
- Jonathan Koppell*

Moderator Jonathan Koppell noted that the narrative about NAFTA in the US does not reflect Mexico’s economic vitality and close manufacturing relationship with the U.S. but is rather influenced by selective pieces of data used by politicians to confirm claims of violence from drug cartels and the government’s inability to maintain the rule of law. He invited the panelists to discuss how a reworked NAFTA could better reflect the strategic and economic ties between the US, Canada and Mexico.

Mr. David Bercuson discussed the longstanding relationship between Canada and the United States. He started by pointing out that the integration of the two economies has been going on for the past 170 years. Emphasizing that Canada must search for foreign markets in order to sustain their way of life, Mr. Bercuson shared that Canada will continue to trade with other countries, but will maintain their relationship with the US with or without NAFTA.



*“There are 33 US states that have a very good relationship with Canada as far as trade. Why would the US congress want to put all those jobs at stake?”
- David Bercuson*

He also noted that although the Canadian government recognizes Mexico as part of North America, the people of Canada do not have as strong of a connection with Mexico as they do with the American government and culture. Mr. Bercuson praised Quebec for their proactive efforts to further build the Canadian/Mexican relationship.

From the Mexican point of view, Mr. Carlos Camacho Gaos shared that the majority of Mexican politicians agreed that NAFTA has been a good agreement and that it has contributed to the country’s progress. When discussing NAFTA’s future, Mr. Camacho Gaos shared that eliminating the agreement would damage all three countries involved. He went on to say that NAFTA is currently being treated as a contract, rather than a relationship. Mr. Bercuson stated that a failed NAFTA renegotiation would harm our countries but we would maintain a trading relationship regardless.



“We need to rebuild and have a better Mexican presence in investment, relationship in culture, increase possibilities in tourism, things that we haven’t done in the recent past. We cannot risk all the success we’ve had for the past quarter century.” – Carlos Camacho Gaos

He suggested study abroad programs as a way to strengthen the relationship between the three countries. Higher education in Mexico is encouraging students to study in the US and Canada. Camacho Gaos sees this as a way to start relationships and showcase how hardworking and capable the Mexican people are. He suggested that Canadian and American students participate in similar exchanges.

When discussing the United States’ position on NAFTA, former Congressman Jim Kolbe shared various factors that could affect the U.S. decision to renegotiate or opt out of the trade agreement. Mr. Kolbe expressed a pessimistic outlook on a potential NAFTA 2.0, due to it not being brought up in the first round of negotiations. He was also pessimistic about its ability to get past congress. He stated that there is currently no alternative trade agreement to NAFTA. President Trump has also been vocal about his lack of support for the agreement. Although he has the authority to withdraw without input from Congress, collaboration between the president and Congress is required to revise NAFTA. Kolbe credits the lack of support to the failure of advocacy groups, NGOs and trade associations in Washington to communicate the importance of the agreement.

The former Congressman shared his “Kolbe Mantra on Trade,” saying the benefits of trade are wide and diffused, while the benefits of protectionism are narrow and focused. To improve the communication of the agreement, we need to have a narrow and focused message to people about the benefits of trade. He also suggested focusing on millennials. Should the U.S. choose to opt out of NAFTA, Mr. Kolbe believes the strong relationship between the U.S. and Mexico, and among border states in particular, will mean trade continues regardless.



“If NAFTA is gone, people are resilient, creative and innovative and will find a way to fill that void. It is not as if an iron wall will fall down and we will not have communication with the other two countries, we will find a way to continue trade.” – former Congressman Jim Kolbe

CONFERENCE: THE FUTURE OF NORTH AMERICAN INTEGRATION

Keynote Speaker: Ildefonso Guajardo, Secretary of the Economy, Mexico

NAFTA has transformed the Mexican economy from a closed one to one that is integrated with world supply chains and the U.S. and Canada in particular. He called NAFTA an example for trade agreements around the world and spoke about how it has led to economic development. Prior to NAFTA, 30% of Mexico’s exports were from manufacturing. Now over 90% of its exports are from manufacturing. NAFTA has been transformative for the Mexican economy and has unified North America. It has also transformed Mexico’s economic geography, creating ‘two Mexicos’ through its uneven economic impact. Five states are responsible for half of Mexican exports while southern states have lower productivity. Secretary Guajardo stated that Mexico must focus on domestic policies that positively impact every sector of society across the country.



“We need to recognize that the three countries have benefited from NAFTA and that our interests are aligned.” – Ildefonso Guajardo

While NAFTA has had an overwhelmingly positive impact, some challenges remain. It is the government’s responsibility to offer programs to people impacted by labor market disruption. It will also be a challenge to find areas where the three countries can achieve their objectives for their respective economies in the NAFTA renegotiations. This current process presents an opportunity to add provisions on sectors that were not being part of the original NAFTA including energy, of which there is abundance in the three countries, and the digital economy.

The timing of Mexico's presidential elections and US congressional elections will be a challenge. Renegotiations swayed by ideologies and campaign commitments will be more difficult. President Trump wants to reduce the trade deficit but trade tariffs are not economically viable. The solution is trade expansion, not reduction. Mexican capacity to export has expanded and so has its capacity to buy more American goods. In addition, North American supply chains help the U.S. be competitive with China. We need to recognize that the three countries have benefited from NAFTA and that our interests are aligned. The renegotiations are challenging, but there are opportunities for success. It is important to send a clear message: Mexico is not the problem in North America; it is part of the solution.



PLENARY 3: ENERGY IN NORTH AMERICA

Moderator: Dan McFadyen, Director, Extractive Resource Governance Program, School of Public Policy, University of Calgary

Panelists:

Kelly Ogle, President, Canadian Global Affairs Institute

Juancho Eekhout Smith, Vice President, Development, Ienova

Hector Moreira Rodriguez, Director of Mexico Energy Initiatives at the Julie Ann Wrigley Global Institute of Sustainability at Arizona State University, and Commissioner, Mexican National Hydrocarbons Commission

Andrew Tobin, Commissioner, Arizona Corporation Commission, and Program Director, College of Public Service and Community Solutions, Arizona State University

The energy plenary stood out for its optimism. The panel discussed how this sector was a bright spot for future North American economic integration and development. Energy is not expected to be a point of contention in the NAFTA renegotiations. Contrary to the rhetoric about a US trade imbalance with Mexico, the US is actually a net exporter of energy resources to their southern neighbor.



The North American energy sector is both integrated and a huge driver of economic growth. Around \$200 billion in energy commodities (natural gas, oil and electricity) are traded in North America every year. This directly leads to investment, jobs & energy security for our three countries. And thanks to Mexico's recent energy reforms, even further integration and growth of our energy sector can be expected.

The end of Pemex's monopoly in Mexico's oil and gas sector is perhaps the most significant change to the North American energy sector since NAFTA was signed in 1994. The liberalization of Mexico's energy sector will attract foreign investment from Canada and the US. This is expected to boost Mexico's economic growth while also increasing tax revenue from oil and gas.

"Higher investments lead to more jobs, which leads to greater energy integration and a more integrated North America." – Juancho Eekhout Smith

Mr. Eekhout said that Mexican energy policymakers deserve great credit for their efforts to reform their energy sector, stating the reforms are seen internationally as an example of how to successfully privatize a protected energy sector. Mr. Ogle also praised Mexico's efforts, saying that the move was in the best interest of the public.

Regardless of the outcome of the NAFTA renegotiations, the future of North America's energy sector looks bright. Strong demand and production is expected over the coming decade. Dr. Moreira spoke about Mexico's need to significantly increase their electricity production and distribution infrastructure. He predicts that this will amount to a \$700 billion investment opportunity over the next 10 years. Mr. Tobin also spoke about Mexico's strong economic performance and attractiveness to investors.



The North American energy sector is also well positioned to adapt to a low-carbon future. The continent's vast supplies of natural gas give it access to a supply that can bridge the transition from fossil fuels to renewable energy. The three countries also have strong renewable resource potential. Mr. Tobin spoke about Arizona's strong solar incidence, which makes solar photovoltaic inexpensive.

Lastly, the panel identified regulatory cooperation as the key to unlocking an even stronger North American energy sector. Harmonized regulations are good for business and would directly lead to a more integrated market. Furthermore, the harmonization of regulations provides opportunities for the sharing of best practices. This is something that Mr. McFadyen works closely on. As Director of the Extractive Resource Governance Program at the School of Public Policy at the University of Calgary, he and his team work closely with Mexican policymakers to share lessons derived from Canada's experience with energy regulation and stakeholder consultation.



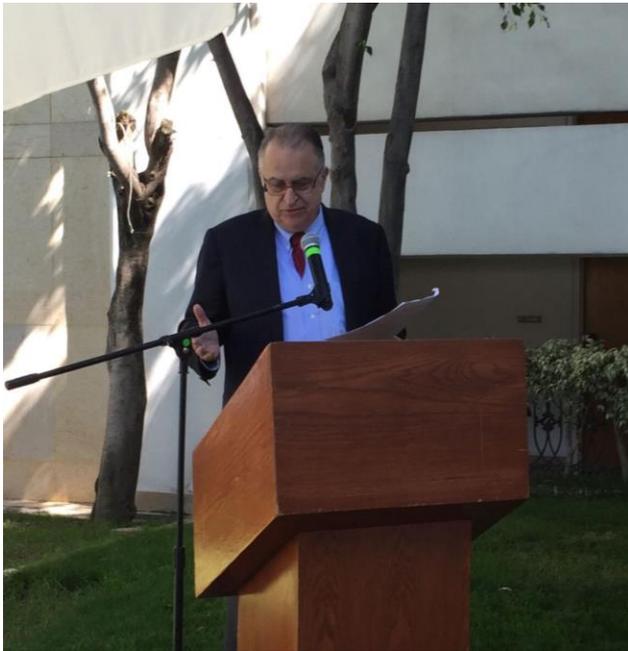
NETWORKING LUNCH

Speakers: Kirk Adams, Chief of Staff for the Honorable Doug Ducey, Governor of Arizona, and former Speaker of the Arizona House of Representatives



Kirk Adams, Chief of Staff for the Honorable Doug Ducey, Governor of Arizona, and former Speaker of the Arizona House of Representatives

On behalf of Arizona Governor Doug Ducey, Mr. Adams presented an overview of the special and unique relationship Arizona has with its two largest trading partners, Mexico and Canada. Arizona's focus on trade and commerce, specifically in regards to the speed with which goods cross the border with an emphasis on regional business attraction, is making a positive impact for the NAFTA countries, Mr. Adams affirmed.



Amb. Francisco Suárez Dávila, former Ambassador of Mexico to Canada

Ambassador Davila presented a long-term vision of what NAFTA could be in ten years. He spoke about the potential for more efficient in dispute resolution, revamped rules-of-origin to avoid abuses without undermining regional competitiveness, and the inclusion of the provisions on the digital economy. This is within reach and with thoughtful but forceful negotiation, a positive new vision can be achieved.

FINAL SESSION, OCTOBER 7, 2017

SNAPSHOTS FROM THE WORKING GROUPS AND DISCUSSION ON RECOMMENDATIONS



Moderator: Jessica De Alba-Ulloa, Researcher-Professor of the School of Global Studies, Universidad Anáhuac México

On the afternoon of Friday, October 6, participants split in six working groups:

- Group A: NAFTA’s Opportunities and Challenges for Trade
- Subgroup A1 Digital Economy (Facilitator A1: Paul Beaudry, Director of Development at the School of Public Policy, University of Calgary)
- Subgroup A2 Integrated Industries (Facilitator A2: Fausto López Aguilar, Free Trade Agreements Management, Volkswagen México and Juan Ciscomani, Senior Advisor for Regional and International Affairs, Office of the Arizona Governor Douglas A. Ducey)
- Subgroup A3 Intellectual Property (Facilitator A3: Mauricio Jalife, Partner, Jalife & Caballero)
- Group B: North American Energy: Gas industry - Electric grid (Facilitator: Alejandro Amerena Carwell, General Director, International Affairs, Ministry of Energy)
- Group C: Documented Immigration (Facilitators: Eric Rojo, Vice president, US-Mexico Chamber of Commerce and Evelyn Cruz, Clinical professor of Law and Director of Immigration Law and Policy Clinic, ASU)
- Group D: Reaching Societies: Communicating the benefits of trade (Facilitator: Agustín Barrios-Gómez, Founder and President, Foundation for Mexico’s Image, former Mexican Congressman).

Each facilitator presented the recommendations of their working group (see document “Recommendations”). Participants were able to make amendments to make them more pertinent

for their purpose, which was to be presented to the decision-makers and leaders of the three countries as the next steps for moving forward.

The three organizing institutions acted as a bridge between the different sectors, practitioners, politicians and decision makers of the region.

