

Second Annual Trilateral Border Issues Symposium

NAFTA at 20 Years: Toward Greater Trilateralism?

Heard Museum Phoenix

March 17-18, 2014

Session Notes

Prepared by Maureen Shields, The School of Public Policy

Opening With Ambassadors

Moderator	<ul style="list-style-type: none">▪ Colin Robertson Executive Fellow, The School of Public Policy; Vice-President, Canadian Defence & Foreign Affairs Institute
Panelists	<ul style="list-style-type: none">▪ Ambassador Gary Doer Ambassador of Canada to the United States of America▪ Ambassador Eduardo Medina Mora Ambassador of Mexico to the United States of America▪ Ambassador Guillermo Rishchynski Canada's Ambassador and Permanent Representative of Canada to the United Nations▪ Ambassador Francisco Suárez Ambassador of Mexico to Canada

Summary:

The Ambassadors engaged in an insightful discussion on whether there is a “North American vision” among the three continental partners as well as how to advance North American economic integration. Concern was expressed that the advantages created by NAFTA over the last twenty years are now in danger of dissipating if each country is not able to look beyond their own narrow interests. Nevertheless, the panel expressed optimism for certain aspects of a North American vision including the “game changing” continental energy renaissance (that very well could lead to a continental boom in manufacturing) and the suggestion that there is an incremental and welcome shift away from looking at borders as security issues to that of ways and means to facilitate trade. It was generally agreed that the business community drives the identity of the North American space with the political community lagging far behind. A point mentioned during this panel and subsequently raised throughout the symposium was the suggestion of replacing the terminology “trilateral” and “NAFTA” with phrases such as “North American neighbourhood” or “North American economic integration” for more effective branding of the continent.

Discussion:

Several specific challenges facing the continent as a whole were highlighted including: the need for “best practices” on water conservation; the unresolved issue of labour mobility; the Canadian VISA requirement for visiting Mexicans; and the desire and ability of the US to lead the trilateral agenda, especially under the current administration. Furthermore, it was suggested that NAFTA was a “dirty word,” notably in the US, where it is viewed as part of the reason for the loss of manufacturing jobs over the past two decades. Panel members also recommended several ways to improve trilateral cooperation: expanding the trusted traveler program for all three countries; seeking subnational and regional level solutions whenever possible, including efforts to improve relations between governors and premiers; involving academic institutions from each country in trilateral dialogues; and, mirroring the US-Mexican High Level Economic Dialogue trilaterally.

Session 1: NAFTA Plus: How Far Should We Go?

Moderator	<ul style="list-style-type: none">▪ Jonathan Koppell Dean, College of Public Programs, Arizona State University
Panelists	<ul style="list-style-type: none">▪ Thomas d'Aquino Chairman, Thomas d'Aquino Capital, and Founder, Chairman and Chief Executive at Intercounsel Ltd.▪ Jack Mintz Director and Palmer Chair, The School of Public Policy, University of Calgary▪ Ambassador Andrés Rozental Gutman Founding President and Senior Non-Resident Fellow at the Brookings Institution▪ Duncan Wood Director, Mexico Institute, Woodrow Wilson International Center for Scholars

Summary:

The central theme guiding Session 1 was the consideration of NAFTA’s position within the rapidly changing global environment of expanding regional and bilateral trade agreements. It was agreed that NAFTA was once the global “gold standard” but is now in need of serious revision. Originally designed to solve the problems of the early 1990’s NAFTA faces a set of new challenges. For example, NAFTA did not anticipate the profound changes in global energy supply and demand, nor the rise of China. There was general agreement that a new and revitalized vision for NAFTA is stalled by inertia in the US. Given the tendency for dual bilateralism (Canada-US and US-Mexico) it was suggested that there is an important role for stronger Canada-Mexico cooperation. A strengthened Canada-Mexico axis could act as a catalyst to drive trilateralism forward, especially if the two countries agree on a common North American vision and present it to the US. Panelists further agreed that the goal for North America should be achieving greater global competitiveness. There was also a recommended that North America,

through NAFTA, should be thinking about coordinating responses to Asia, such as in Trans-Pacific Partnership negotiations. North American energy cooperation was again raised as the lynchpin for greater continental competitiveness. It was also recommended that the North American Energy Working Group be reestablished.

Discussion:

The discussion turned to the issue of trilateral military cooperation - an area that represents slow but significant cooperative advances. For example, Mexico is now present at US Northern Command (as is Canada) and also has a strong intelligence sharing relationship with the US. It was suggested that there are further opportunities for closer continental cooperation in the defence realm, such as expanding cyber security talks to include all three countries and to perhaps consider future Mexican participation in NATO.

Session 2: Access, Efficiency and Security at the Border

Moderator	▪ Paul Charlton Partner Steptoe & Johnson LLP
Panelists	▪ James Copland CEO, Sentry Enterprises, Phoenix
	▪ Matt Morrison CEO, Pacific Northwest Economic Region
	▪ Peter Wallis President and CEO, Van Horne Institute, University of Calgary

Summary:

In presentations that focused on a shift in emphasis from predominantly security issues at the border to improving access and efficiency throughout North America, panelists discussed successes as well as suggestions for improvement. However, there are numerous success stories to draw upon for future initiatives, notably at the regional level. For example, the Pacific Northwest Economic Region’s (PNWER) British Columbia/Washington State Partnership on Enhanced Driver’s Licenses presents a successful and innovative solution, designed at the local level, which facilitates trade and other relations between neighbouring jurisdictions. Other pilot projects (such as PNWER’s Washington State-BC Software and Gaming Cluster and the BC Montana Sawmill, Forestry and Mining Cluster) are additional examples of seeking solutions at a regional level rather than “harping on what is not working.” It was also noted during the presentations that border regions are the ideal location to initiate pilot projects as the communities directly understand the relevance and value of the issue being tackled and are more likely to be supportive in the early stages of implementation. It was also noted that North American business has a “branding” problem. One solution presented was the idea of creating “made in North America” as opposed to “made in the USA” or

“made in Mexico,” labeling as part of a larger effort to make North America appeal to the “masses,” not just to the “trading classes.”

Discussion:

Discussion from the floor lamented the shortage of institutions to support North American economic integration. Recommendations were made for the establishment of a North American transportation planning agency as well as a trilateral institution that would address infrastructure issues continent-wide. There was general agreement that government is moving far too slowly on access and efficiency issues with the noted caveat that Mexico has made significant advances in infrastructure development. The conversation also returned to the benefit of pilot projects, especially as a way to enhance trust and appreciation for regional collaboration. The discussion concluded with the provocative question: what issues can and should be seriously addressed at the trilateral (as opposed to bilateral) level? Three suggestions were offered: regulatory systems (e.g. cabotage, agriculture, truck/rail), energy cooperation and intelligence sharing.

Session 3: Energy Interdependence

Moderator	▪ Stephen Randall Director, Latin American Research Centre, University of Calgary
Panelists	▪ David Collyer President, Canadian Association of Petroleum Producers ▪ Robin Dunnigan Director for Europe, the Western Hemisphere, and Africa Bureau of Energy Resources Department of State ▪ Ambassador Francisco Suárez Mexican Ambassador to Canada

Summary:

The panel began with a short discussion on the changing energy landscape in North America. It was noted that ongoing Mexican energy reforms (opening the country’s hydrocarbon and electric power sectors to foreign investment) present numerous opportunities for both US and Canadian energy companies. Furthermore, the boom in the US domestic gas supply and the ‘shale oil revolution’ will lead to a decline in demand in the US for foreign oil, including that from Canada. In response, Canada is seeking new markets for its oil and gas, along with the challenge of building the infrastructure to do so. Indeed, it was pointed out that major global shifts in fossil fuel supply and demand have changed the North American energy market: global supply is increasingly coming from North America and this has coincided with new demand from China and other non-OECD countries. It was suggested that previously strong US-Canada and US-Mexico bilateral energy dynamic is evolving toward a stronger trilateral approach to energy

security (including a planned meeting of energy ministers from all three countries in 2014). Also stressed was the increasingly important issue of the nexus of energy and the environment. However, it was argued that all three countries need more incentive and motivation to tackle broader sustainability concerns.

Discussion:

The issue of competition between Canada and Mexico in energy markets was raised. Although there are obvious areas of rivalry (future increases in Mexican production challenging Canadian exports to the US or the Keystone XL pipeline, if approved, displacing Mexican crude), panelists agreed that there are numerous areas for Canada-Mexico and Canada-US-Mexico collaboration in the energy industry. For example, energy infrastructure requirements in Mexico (such as pipelines) present business opportunities for service companies in Alberta and Texas. More significantly, optimizing the “energy and environment equation” presents a longer-term project for all three countries. There was also enthusiasm expressed for the spinoffs from a North American “energy boom” including a manufacturing revival that could benefit industries in all three countries, such as the aerospace and automobile sectors.

Session 4: A View from Business

Moderator	<ul style="list-style-type: none"> ▪ Glenn Williamson CEO and Founder, Canada Arizona Business Council
Panelists	<ul style="list-style-type: none"> ▪ Gerónimo Gutiérrez Fernández President, North American Development Bank ▪ Patrick Kilbride Executive Director of Americas Strategic Leadership Initiatives, United States Chamber of Commerce ▪ Eric Miller Vice President of Policy, Innovation, and Competitiveness, Canadian Council of Chief Executives

Summary:

The context for the presentations was framed with a reminder that borders are not simply land-based international crossings. Rather, North American borders need to be envisioned much more broadly: as airports (Phoenix Sky Harbor International Airport is the border for a great deal of Calgary-Arizona transactions) and as virtual (the flow of money and investment between the NAFTA partners). All agreed that NAFTA needs “refreshing” if the continent is to increase its global competitiveness. The Canadian Council of Chief Executives’ initiative to define a “North American agenda” and present a program to the respective governments ahead of the 2015 North American Leaders Summit was noted as a solid example of private industry leading the way in reinvigorating NAFTA. Other business-led proposals include a pilot project on “Nexus for business”; customs modernization and informed compliance using big data; collective

action on rules of origin for future trade agreements; and, Canada joining the North American Development Bank.

Discussion:

It was noted that only one percent of US businesses export their goods compared to Canadian small and medium sized enterprises (SMEs) that “have no choice and must export.” As a result, Canadian SMEs are more experienced with some of the challenges in exporting on the North American continent. For example, the infrastructure at Canada-US border crossings is, on average, over forty years old. Panelists were asked what the top challenges facing each national Chamber of Commerce were. Responses included: better coordination of regulations; more efficient transport of goods, stronger definitions of ‘medium-term’ business goals; and, a more vigorous exchange of views with government.

Session 5: Canada-Mexico and the NAFTA: An Arranged Marriage Comes of Age

Moderator	▪ Eugene Beaulieu Director, International Economic and Emerging Markets Program, School of Public Policy, University of Calgary
Panelist	▪ Laura Dawson President, Dawson Strategic

Summary:

In Session 5, Ms. Dawson presented the preliminary research results from her paper on Canada-Mexican relations. This paper will be published by the University of Calgary’s School of Public Policy as part of the broader conversation surrounding the *NAFTA at 20 Years* symposium. The central theme of the presentation revolved around the question: does the Canada-Mexico relationship make sense, and if so, what efforts need to be made to make the relationship better? NAFTA was presented as an entity worth strengthening. It is the largest free trade zone in the world with 25 percent of global GDP and goods and services valued at \$19 billion annually. NAFTA was described as a US hub with Canadian and Mexican spokes and a convincing case was made for the advantages of greater Canadian engagement with Mexico. For example, Mexico offers a market with solid sustainable growth (currently twice the growth of either the US or Canada); a young population; a growing consumer market; and promising reforms in its energy, financial and telecommunication sectors. Furthermore, the argument was made that that the structure and practice of economic integration through NAFTA provides the basis for mutual benefits for both Canada and Mexico, particularly if they take advantage of global value chain opportunities. In sum, the “spokes” of the NAFTA relationship need to engage more broadly to enhance the relationship and capitalize on the many opportunities closer economic ties entail. Businesses “get it,” but government,

especially the Canadian government, needs to step up and put time and effort into the Canada-Mexico relationship.

Discussion:

Audience members offered some suggestions on why closer Canada-Mexico ties have been slow to develop: Mexico is not yet a part of “Canada’s DNA”, unlike in the US where common Latino roots are shared; lingering skepticism that Mexico is a “narco state;” a perception that Mexican growth has not lived up to its promise; and, a poverty level of 52 percent that raises concerns regarding the country’s longer-term economic stability. There was a recommendation from the audience that the Canada-Mexico Leader’s Retreat be revived.

Session 6: Sustainability at the Borders: Old Challenges, New Solutions

Moderator	▪ Maria Luisa Parraguez Kobek Global Studies Department, Tecnológico de Monterrey
Panelists	▪ Ambassador Cassio Luiselli Director of International Studies, Tecnológico de Monterrey ▪ Carol McAusland Canada Research Chair in Trade and Environment and Associate Professor Food and Resource Economics, University of British Columbia

Summary:

A description of the economic dynamism of the US-Mexican border region launched the discussion on sustainability challenges in North America. It was noted that there are twelve large cities and over 50 million people living in the broader southern border region. Increasing population is putting pressure on the natural resources in this region. The two main rivers, the Rio Grande and the Colorado, as well as the two main deserts, the Chihuahuan and the Sonora, are under stress. The main concerns are water security, biodiversity and pollution. Four recommendations were presented to help address the environmental challenges in the southern border region: building “sustainability systems” on the border; producing environmental scorecards throughout the region; building a common border strategy to address climate change; and, developing sustainable energy policy guidelines. The session also addressed the complex issue of the impact of trade liberalization (with NAFTA as an example) on the environment. Although conventional environmental theory presumes that dirty industry will move to low income countries with weak environmental regulation, the reality is more complicated and depends on factors such as capital abundance more so than weak regulation. A North American climate policy and a carbon tax were two recommendations to address some of the continent’s larger environmental concerns.

Discussion:

Questions were raised during the discussion about Canadian mining companies ignoring the “social license” in Mexico. It was suggested that Canadians should bring pressure domestically to address this issue. It was also recommended that a concerted North American effort be made to add a price to key commodities. For example, establishing a price for water and implementing tolls on specific roads could add a revenue stream for all three governments to help cover the “social costs” of natural resources that are currently provided for “free.”

Session 7: Looking Forward: Expanding Our Concept of Borders and of NAFTA

Moderator	▪ Ambassador Charles Shapiro President, Institute of the Americas
Panelists	▪ Sergio M. Alcocer Undersecretary for North America, Ministry of Foreign Relations, Mexico
	▪ Kevin O’Shea Assistant Secretary, Privy Council Office, Border Implementation Team, Canada
	▪ Sue Saarnio Director of Canadian Affairs, United States Department of State

Summary:

In the final session of the symposium, senior government officials provided their perspective on the state of North American economic integration. Although discussions in earlier symposium sessions described the February 2014 Toluca North American Leaders’ Summit (NALS) as a “disappointment,” Session 7 presented a more upbeat analysis of the Summit and its accomplishments. Symposium participants were encouraged to consider the NALS as “a big vision” with an ambitious agenda that will take time to fully realize. In keeping with the theme of private industry as the leader in moving North American economic integration forward, panelists strongly encouraged business leaders to “tell government what to do.” It was also pointed out that a “North American vision” is not simply a trilateral process. Rather, participants were encouraged to view North America as a complex set of expanding relationships: bilateral, trilateral, private sector, academic, labour, sub-regional and subsector. It was further noted that a North American wide “trusted traveler” program will be launched later in 2014 as well as a civil society component to the North American Leader’s Summit.

Discussion:

The first question of the discussion addressed how to change outdated narratives on Mexico and its position within North America. It was noted that the Mexican government is designing a program to frame the conversation on Mexico in a more objective fashion (not just drugs and cartels) to include such things as the benefits of the Mexican economy to both the US and Canada. The lack of strong North American (trilateral) institutions, including the need for an “intercessional mechanism” to assist in maintaining momentum gained at the NALS was also addressed. The final question asked panelists what they would like to see as concrete indicators of a stronger North America and NAFTA over the next few years. The lively discussion included an expectation of stronger trilateral trade along with the awareness among citizens from all three countries of how trade improves quality of life; continental energy self-sufficiency within ten years; the trilateralization of the Nexus card; and finally, North America being recognized as the most competitive platform in the world.

The event closed with a challenge to all participants to think of concrete ways to move the North American project forward based on the numerous recommendations, initiatives and suggestions made over the course of the symposium. Academic partnerships were mentioned as a critical component of advancing the debate on North American competitiveness - such as the partnership between the School of Public Policy at the University of Calgary; the College of Public Programs at Arizona State University; and Tecnológico de Monterrey, Mexico City Campus which brought this event together.