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Mapping the New North American Reality

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Conclusion: Mapping the New North America

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One message emerges clearly from this collection of papers by the Pan-Am Partnership study group: North American economic integration is no longer (if it ever was) simply the product of national firms trading at arm's length in finished products. Rather the North American economy has become a complex adaptive system of interlinked economic agents whose interactions continue to create and sustain a single tri-national production platform. That platform is more efficient than the sum of its parts, and if it is interfered with or dismantled in any major way, the negative consequences would be profound: jobs lost, investment and production tipped sharply downwards, economic pain in all NAFTA countries.

Another clear message from the study group is that although North American prosperity is intimately linked to the continent's economic flows, economic policy makers in the NAFTA countries continue to downplay this reality. Instead, they continue to act as though North America and NAFTA were the same thing: a three-way trade agreement among three sovereign countries, despite much evidence to the contrary.

For instance, we learned there is a common electricity grid from its failure last summer—a failure that arose in part because US and Canadian regulators had not put in place enforceable network standards. As Joe Dukert writes: "The three countries of North America did not start out in the early 1990s to create trilateral energy interdependence, yet that is clearly what we have now.... North America contains the world's largest integrated energy market, whose importance and benefits few people recognize."

Similarly, although our agri-food industry is intimately linked, the response to a North American BSE problem was to seek national solutions, with devastating consequences to the Canadian beef industry and long-term problems for US growers. And before that, the terrorist attack on 9-11 led to a temporary border closing. The impact on the North American economy? Normally, trucks carrying automotive parts pour across the Detroit-Windsor bridges with a 15 minute JIT turn-around. Close the borders for a few hours and the outcome is hundreds of US firms shut down and thousands of American workers off the job.

These incidents highlight a more general problem: the failure of public sector institutions to keep up with private sector adaptations in the North American economy. This weakness raises tough questions about the ability of the North American countries to continue to capitalize on the successful economic integration achieved so far. For example:

- Truck transport remains bedevilled by border and regulatory barriers—unrelated to security issues – that raise costs and impede the smooth flow of goods around the continent.
- Maritime transport is no better.
- Rail transportation has restructured itself from an east-west to a north-south orientation, but questions remain about the extent of integration that authorities will permit.
- Investment barriers impede the integration of telecommunications and financial services, although there are undisputed advantages to be gained from re-writing regulations to permit continent-wide competition.
- Rules of origin provisions are clumsy and impose large transaction costs that could be substantially reduced if not altogether eliminated by mutual agreement.
- Regulations impede the integration of cross-border capital flows which, especially in light of Mexico's demographics, offer significant opportunities for northern investors.

But trade, investment, and economic integration are, as Cimon and Rebolledo write, only “the tip of the iceberg” of North American integration today. One of the significant values of the Study Group was to place the discussion of economic integration within a broader context. North American integration has been driven mainly by markets and corporate strategies, but it does not end with economics.

Security is clearly the most pressing issue. We keep hearing “security trumps trade.” But for millions of North American workers, trade is security. Security cannot be enhanced in today's world of terrorist threats by locking down US borders with Mexico and Canada. Forcing our production systems back inside our national borders would be devastating economically and socially.

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Since 9-11, governments have been forced to think more and more in terms of a North American security system. Joel Sokolsky observes that "Implicitly if rarely openly, the United States recognizes the new importance of Canada to the immediate physical security of the American people and their economic being. At NORAD headquarters a bi-national planning group is looking at ways to expand cooperation in the maritime and other areas with particular attention to emergency preparedness." Just as NORAD from the beginning has been a joint Canadian-US operation, so the new NORCOM – the North America Command – will build upon US and Canadian (and, soon, Mexican) cooperation.

Immigration is another vital issue. Although on many measures the North American economy is more integrated than the EU, North America has nothing like the Schengen Accords that guarantee free movement of labour. Nor is North America likely to develop them anytime soon, given US security concerns about both its borders. Yet considerable mobility exists among the NAFTA countries, with over 300 million border crossings a year. Much of this movement is a response to labour conditions, with highly skilled expertise moving between Canada and the US and poorly educated workers coming to both Canada and the US from Mexico. Now, as Deborah Meyers and Kevin O'Neill observe, maintaining that mobility while preserving security has become a tricky goal. It can best be achieved, they write, through greater trilateral cooperation, embracing some new ways of thinking about the border such as the creation of a "North American information space" that controls the inflow of goods and people into the region before it arrives. Sticking with traditional policies which harden national borders will only make managing our borders less flexible.

The persistence of nationally-based solutions to regional problems has not created better policies for those who feel marginalized from NAFTA's benefits. Participants agreed that none of the NAFTA countries has dealt adequately with the pains of economic integration. All have failed in the past decade to grasp opportunities for building a more productive, more efficient and more inclusive North American economic system.

While the NAFTA debate continues to be polarized and unproductive, some criticisms of the agreement have been instructive. They tell us that large numbers of people in the US, Mexico and Canada believe that freer trade and technological innovation provide no benefit to them and their communities. Those who

support greater North American economic integration must confront these fears – perhaps to ensure more portable benefits programs, perhaps with new forms of insurance to cover retraining, perhaps with new agreements on immigration and employment. At the same time, as Laura Macdonald argues, civil society may be working to achieve “a different form of integration.” She focuses on the growing number of cross-border linkages in North America among labour, women, environmentalists, indigenous peoples, farmers and others. This is a kind of “globalization from below” particularly around labour, environmental, and human rights issues.

The table below summarizes the accelerators and decelerators of North American economic integration described by the study group.

Table: North American Integration Gas and Brakes

Accelerators	Barriers and Speed Bumps
Just-in-time cross border transport	Mish-mash of trucking standards and work rules
Mixed modal supply chains	Arcane maritime shipping rules and procedures
Cross-border rail and air transport investment	FDI barriers in these sectors
Clear Homeland Security plans and assignment of roles	Duplication and legal barriers to international role assignment and international ambitions of the three North American powers
Shared economic activity	Lack of common statistical reporting
Common energy supply networks	Lack of regulatory framework

The way forward demands a more concentrated strategy. But the North America we have been examining looks unlike any other regional project in contemporary political science. NAFTA lays no foundations for identifying or solving problems that would emerge from deeper integration. It provides no vehicles for planning, or even thinking about what might come next. It has no common purpose except economic growth, almost no institutions, and no over-arching public coordinating mechanisms.

The most obvious next steps must be to supplement the bottom-up process of North American integration with deliberate cross-border actions with regard to energy, transportation, the environment, regional development and security. Study Group participants argue that it is both necessary and possible to

eliminate roadblocks that inhibit more efficient market development. They agree that reaching out to groups that have not been included in NAFTA growth, and to build North American institutions that will help capture the gains from integration, will both require additional effort that has so far been less broadly contemplated and discussed than market efficiency building measures.

If this is to occur, the institutional arrangements that are part of the NAFTA system (i.e. the trade agreement and the side agreements on labour and the environments as well as the many cross-border working groups) would have to "broaden the tent". Specifically, a wider place would have to be created in which "bottom-up" civil society groups could work together on a cross-border basis to develop the coordinated regulatory system that significantly greater economic integration will require.

All this underlines that we cannot continue to avoid discussing the implications and objectives of North American integration. The papers in this collection provide a remarkable image of North America today. But the sense of vision remains fragmented; there is not even an elementary framework that links these similar, parallel and yet disparate elements of a North American community – apart from a commitment that member countries live up to their legislated national performance goals. What the papers do show is that national treatment and national goals need to be supplemented by cross border measures.

North America institutions have served the continent less well than in Europe, where, from the beginning of the European Community, tremendous efforts were made to create networks of informed and active leaders. Almost every European university has some sort of EU Institute, dozens of journals and magazines deal with every aspect of EU developments and elaborate programs at both the European and national levels educate people in every walk of life about Europe. Here, the opposite prevails. North Americans depend increasingly on a system about which they know very little. Again and again we are surprised to learn that we live in a deeply integrated continental economic system.

Despite current levels of integration, few resources are devoted to managing the North American system and studying what might be expected of it in the future. The paper by Chantal Line Carpentier on the NAFTA Council for Environmental Cooperation illustrates the challenges. Those who work in this economy typically understand how their parts function. But we have not developed a detailed understanding of how the parts fit together and how the North American economy operates and what its problems are. We have

not created a vision of what North America might be – one which may be diametrically opposed to the centralized and bureaucratized European model, but would represent a starting point for collective action. And almost nothing has been done to educate the leadership communities of North America about these developments.

Jean Monnet, “the father of Europe,” felt that people could only unite behind a vision they shared. Over time, the vision adapts and changes. But North America is far from the social-democratic consensus of post-war Europe. North America’s vision (if one can be said to exist) is intensely pluralistic—even where vital national security issues are concerned. Monnet also knew how important it was to build informed and committed constituencies, groups that would realize the vision. In this respect, the North American task is easier than his. For Monnet, building on the wreckage of a war-torn Europe, each nation desperately struggling to rebuild its own national economy, how hard it was to inspire Germans, Frenchmen, others by his European vision.

In North America, constituencies already exist: companies whose workers depend upon efficient continental networks, communities along both borders whose livelihood depends upon open borders, subnational governments and regional groups searching for a way to solve common problems, our transportation systems that bear the increasing volume of north-south traffic. Moreover, all three countries are federal states with significant flexibility to adapt general rules to local conditions. Nor should we assume that civil society opposes further North American integration. On the contrary, many civil society groups would favor improved economic efficiency if they could be sure the gains achieved would serve some of their public goals.

The reality of an integrated North America generates challenges that cannot be ignored and opportunities that are being missed. The starting point must be the recognition that North America cannot achieve greater integration except insofar as its varied and ideologically diverse constituencies are seized with its urgency. The papers in this collection demonstrate that such urgency exists within some constituencies. Taken together, they represent perhaps a first step toward building bridges and awareness among those constituencies so that awareness of shared issues and interests can emerge. It is time now for the policy community in all three countries to take up those challenges and consider what it means for all of us to live, work, and prosper together in ‘North America,’ now and into the future.