
Free trade, as embodied by the North American Free Trade Agreement (NAFTA), has been greatly criticized over the years, both for what it did do and also for what it did not do.

But let’s get some perspective. When I came here in 1975, there was certainly no sense of a “North America.” Instead, there were three mistrustful nations that were moving along inward-looking and protectionist trajectories. Ottawa and Mexico City, riding the wave of windfall profits from soaring oil prices, were determined to distance themselves from the United States. By the early 1980s, both countries feared that Washington would strike out with all kinds of protectionist legislation. Relations had rarely been worse.

But how much has changed! The Canada-US Free Trade Agreement and the North American Free Trade Agreement have created the largest trading community in the world. NAFTA gave a large developing nation the opportunity to play in the developed league. NAFTA sought to assure North American and foreign investors that the steps they had taken to build more deeply integrated continental production and distribution systems could be expanded without fear of government intervention.

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Despite border bickering, occasional relapses into protectionism, and even the events of 9-11, our partnership has flourished with benefits for all three nations.

The North American experience is not at all the same as the European project. Economic integration in Europe has been a means to achieve a wider political objective. Initially, the European project meant to create a European political entity that could overcome the century of intra-European warfare and strengthen Europe in the face of the Soviet threat. The goal now is to build a stronger, more efficient Europe in the global economy. Europeans have differed over the nature of that entity, but there has been no doubt about the objective.

On this side of the Atlantic, we have never embraced this kind of vision. Political goals that frame European integration and the political apparatus constructed to achieve them are entirely absent here. There has never been a North American “Project.” We have indeed experienced change, but overwhelmingly, our goal has been to lessen trade conflict and create more efficient ties among ourselves.

Might it have been different? Some of those who created NAFTA intended that the process would begin with a trade agreement but move further. However, the anti-globalization storm in the early 1990s – with NAFTA as its lightening rod – sent the national leaders scurrying back to their desks. The system of post-NAFTA Working Groups withered away and any talk of North America’s integration was off the table. NAFTA remained “institutional light.” Other than the trade dispute resolution apparatus (which worked very well), the Development Bank (which did not work as well) and the last-minute additions of the very limited Commissions on Environmental and Labor Cooperation, no institutions or organizations were created with a continental mandate.

With regards to the bigger picture, the key element to remember is that NAFTA 1992 was the counterpoint to “Europe 1992” – the creation of the unified European market. Developments in North America reflected the liberal environment of the period and the widespread view that NAFTA should not follow the “European” direction. Experience seemed to confirm that in the more entrepreneurial North American context, government involvement was unnecessary and that markets and individual firms could be relied upon to create necessary arrangements. We were not going to go in the European direction.
II. In fact, the North American experience has led us to places we did not anticipate. NAFTA did not transform North America into anything like the European Union. But while North America is not Europe, neither is it three autonomous countries simply engaged in a trade bloc.

The three North American nations are deeply interconnected and interdependent with an unprecedented degree of collaboration. We are not a trading bloc, nor trading partners. Rather, we are production partners. We don’t sell products to each other. We make them together.

North Americans share highly integrated energy markets and rely on deeply interconnected financial markets. We use the same roads and railroads to transport jointly made products to market; fly on the same integrated airline networks; and increasingly meet the same or similar standards of professional practice.

Governments created the framework for these developments: lowering trade barriers; reversing many of the interventionist and protectionist policies that characterized the 1970s; and initiating policies of privatization and deregulation in key sectors of the economies. But companies provided the core driving force. The most powerful drivers of change were corporate strategies and structures: companies, starting in the 1980s, integrated their Canadian and Mexican branch plants into single North American operations, just as the Canadian and US auto industry had done earlier.

The direction of change in this process came largely from “bottom-up” rather than “top-down” government decisions. No one had designed these developments: governments acted to remove barriers, but had not specifically made plans.

In the 1990s, the movement of goods across our borders grew rapidly. We watched markets integrate. We saw regional specializations flourish in a vastly larger economic community. More efficient connections emerged in deregulated industries. All of these developments occurred despite modest government involvement.

III. Currently, however, it is clear that the era of easy, bottom-up integration in North America has ended. Why? Post 9-11 security policies led to “thickened” borders. Security was not the only reason. Firms and additional rationalization of production systems slowed internalized initial gains from tariff reduction. The economic crisis of 2008 reduced cross border activities, especially in the auto industry. The erosion of critical transportation and energy infrastructure due to aging and deferred maintenance, growing congestion at key choke points, and inadequate border facilities stressed integrated production systems. The impact of dysfunctional regulations increased as well: the scale of integration increased and easier gains from bottom up integration had run their course.

Heightened international competition, mainly from Asia, drew attention and interest away from North American ventures. Rapidly rising global commodity prices, as a collateral factor, pushed up the value of the Canadian dollar, stressing manufacturing exports.
Still, one shouldn’t overestimate the slowdown of economic integration in North America. Flows of goods, capital, and energy continue the North American system, and as such, it has been remarkably resilient – notwithstanding the lack of institutional development, economic recessions, the events of 9-11, and the thickening of our internal borders.

IV. The big story, however, is that what we have done in the past will not enable us to confront very large and urgent looming matters that are continental in scope and that demand continental responses. The bottom-up incrementalist approaches, which drove change in the past 20 years, simply won’t suffice to enable us to deal with what is imminent. What is forthcoming is developing North American policies on climate change, determining an optimum North American energy mix, building a transportation infrastructure system that will support North American competitiveness, dealing with demographic change and population movements and collaborating on security.

The North American experience of the past 20 years has not provided us with the means to confront these issues. No institutions exist to plan for the future, to suggest solutions, to mobilize support for new ideas, to push for decisions or to coordinate policies. We have little continent-wide data, no vehicles to educate publics, no mechanism to gather and leverage experience. Instead, there is little information – and often-widespread misinformation – about developments in North America. We continue to search for national answers to what are increasingly continental questions.

**Energy:** We benefit from North America’s deeply integrated oil, gas, and electricity systems. Today, after decades in which fears of energy dependence intensified, North America finds itself energy rich. The main issues we face today involve finding ways to manage the impact of heightened energy consumption and determining the most cost effective, sustainable, and secure North American combination of energy sources for the foreseeable future. National energy strategies won’t suffice.

**Environment:** Environmental issues that loom largely in our near future do not stop at the Rio Grande or at the 49th parallel. Climate change will not recognize national borders. The environmental communities and the increasingly business oriented and political leaders are aware that we must deal with environmental concerns, such as water and global warming, on a continental scale. Policies for carbon mitigation and for adaptation to climate change must be considered, developed and adopted in a North American framework.

**Infrastructure:** Competitiveness requires efficient, safe and sustainable freight transportation (road, rail, air, and water), logistics systems and border crossings. Our production systems require efficient, sustainable and secure transportation systems. However, North America’s physical infrastructure is dated, ill maintained and greatly deteriorated. Building production, energy and transportation infrastructure for a competitive 21st century world is a continental task.
Demographic change: All three North American nations are undergoing remarkable demographic change. Population movement has been the most visible and politically potent dimension of this in recent years – but not just Mexicans coming to the US and Canada legally and illegally, but also senior Americans and Canadians heading south to Mexican and US retirement communities. All three countries are experiencing high levels of internal migration as people seek to follow jobs; all three face growing imbalances of the supply of medical and educational resources and changing levels of demand for these services. The costs and benefits of population movements in North America are both clear and frequently affect both sides of the border.

The bottom line is clear: many of the issues which the citizens of Canada, the US, and Mexico will face in the near future are continental in scope and must be resolved by continental solutions.

V. Let’s talk now about what might be done; about how we might confront these large and increasingly urgent issues.

What we are talking about, quite simply, is what alternatives exist for North American governance for making decisions on vital issues that affect us all.

This isn’t the first time the question of improving governance has been posed. Past efforts at building acceptable North American governance arrangements – NAFTA II as well as the Security and Prosperity Partnership – failed. The current “Beyond the Borders” program seems to be achieving more results. But it is more modest; it is bilateral rather than trilateral, and focused essentially on making the border more efficient and more secure. This is vital, but it is essentially old business; these issues have been on the table since 1994. These efforts all share a common approach. They began at the top, where officials from the three national governments sought to negotiate new agreements that packed in a wide array of issues.

In his recent book, The North American Idea: A Vision of a Continental Future, our colleague Robert Pastor reiterated this approach once again. He describes the “real choice” that must be made between “a bold vision of a North American Community” on one hand and “incremental approaches to the region’s problems” on the other. He says that the “gradual, minimal progress” approach on “one issue, one country at a time” is what we’ve been doing since 2000 and “it has accomplished very little, if anything.” Pastor eloquently calls once again for the broadest approach – “a bold vision of a North American Community and a strategy and institutions to move toward that goal” (p. 29).

Let me be very clear here: I believe this approach is wrong. It would be a mistake to try to launch a new all-points North American negotiation. This is not going to work and it is not the right way to go. I think we should approach issues separately, but not minimally.
I suggest that we should not think of a “North American Community” as a goal. Instead, we should aim at making more Canadians, Mexicans and Americans familiar with the idea of viewing North American solutions to particular pressing problems. Instead of putting everything into a single pot, we should be prepared to deal with issues individually and probably differently; depending on the issue, the context, the interests involved, the resources at hand. Above all, we must work to de-demonize the idea of North America.

I don’t think that every problem we face has a North American solution, but we have to stop being afraid to think in terms of possible continental ideas and approaches – of North American approaches and solutions – to some of our most pressing problems. It should be natural, rather than unusual, to think of continental collaboration.

We should not try to focus on trying to recreate an all-in NAFTA II negotiation. Rather, launching separate, parallel initiatives dealing with issues such as energy, transportation, infrastructure, demographic change, and climate change is, I feel, the approach that offers the best way to enable us to successfully deal with the large, urgent issues of the 21st century.

Let me suggest some examples of what I mean:. the idea that we are arguing about a pipeline carrying bitumen from Alberta into the US is, frankly, bizarre. In this game-changing moment when we have suddenly become energy rich, what we should be asking is “what are the costs and benefits of various energy mixes over the next decades?” For example, it seems very likely that North America will have access to far more natural gas than we had ever dreamed of. So, we have to look at the availability and reliability of supply; at extraction cost; at environmental cost; and at delivery cost. All these should be in comparison to different kinds of oil and a wide array of alternatives. We should be doing this for every energy source, and asking “what package of energy sources makes the most sense over the next years?”

Certainly, this must seem obvious, but no one is charged with the responsibility to do this. This is not a “one-shot; commission a report; and throw it on the table” kind of task. Joe Dukert, one of the few truly continental energy specialists, suggests a starting point. He says, “The time has come for objective analysts within the private sector to develop at least an initial “North American Energy Outlook” to illuminate the difficult path that lies ahead.” The Outlook must be continental in design, transcending the predominant three-country parallelism of the North American Energy Working Group, an initiative that held great promise in its early years, but has since all but fallen into disuse.

Climate change cannot be discussed as three separate national issues. We are very likely to see climate change – regardless of what anyone believes is the cause, affecting ocean levels at ports and coastal regions, agriculture, and water supply and demand across the continent. We must continue to search for means to mitigate GHG emissions and also look realistically at prospects for adaptation. Collaboration among environmental groups is probably greater than in most other sectors, but it is still far too modest in terms both of public education and policy making. It is time to rebuild the North American Commission on Environmental Cooperation. This would involve making it bigger, better connected, and more open. The Commission, or some similar group if the Commission is not possible to recreate, needs to take a leading role in opening discourse among a wide array of groups and interests, and build on-going collaborative efforts at research, education and policy development.
Competitiveness rests on infrastructure, and North Americans face a tremendous infrastructural crisis. Transportation of goods and people is limited throughout North America by collapsing infrastructure; pipelines, water systems, and electric wires are weakening; broadband carriers are reaching capacity; and sea- and airports are falling behind international competitors. Insufficient investment has been made in maintaining the roads that connect the three countries.

We need to create new initiatives to address infrastructures that are both inadequate to serve huge volumes of traffic within the continent, and uncompetitive relative to the rest of the world. We need to lay out alternative visions of efficient, sustainable, and secure North American freight transportation and energy infrastructure systems for the next decades. All this should be relevant to the impact of new technologies, and changes in global production, trade flows, and demographic patterns. It is time to create a North American Commission on Freight Transportation.

The aim in these and similar efforts should be three-fold. The first initiative should be to generate new ideas. Not as ‘one-shot’ efforts, but through the creation of on-going collaborative programs that network research communities, educators, government officials, and the media. Secondly, we must also work to extend interest widely, to improve public understanding, and to heighten involvement. A key goal must be to create informed and active constituencies that will engage in the policy making process. And thirdly, we must put in place political strategies to transform ideas into policies.

We need to open up the discussion of these matters: we need to get more information, to formulate better ideas, to win public support, and to lay out coherent policy alternatives. If you have looked, as I have, at the myriad of ‘one-shot,’ ‘one-off’ commissioned reports on these issues, and found how rarely they reviewed the others’ findings or generated new knowledge and how rarely they sought to identify key stakeholders or to mobilize support for clearly laid out policy ideas, you would be as concerned as me about the waste of time and money. But the fundamental question is how? And my answer is “practice, practice, practice.”

Discussions about these vital and emerging issues cannot be confined to a small number of players, such as bureaucrats in the national capitals, a few state and metro specialists, a couple of trade experts from the academic-research community, and a multitude of anti-NAFTA publicists. Instead, they should involve many participants in think tanks, firms, universities, expert commissions; groups of “wise people” and government agencies across the continent should be consulted. Discussions should involve perspectives from different regions, from different economic and social sectors, and from those who oppose, as well as support, integration. The aim must be to stimulate dialogue, exchange, and controversy. The aim should be to create educated communities.

The process must get outside of the beltways; it must give voice to the community and economic leaders that are the most deeply involved in these issues. The answers cannot be found in and limited to a new Ottawa-Washington-Mexico City corridor.
I think you see that the model I am building here is not the negotiation of a trade deal, but rather a political campaign. Building broad support for North American solutions has never been undertaken. We wind up in a ridiculous position where more people loudly oppose a so-called North American “Superhighway” than have any real understanding of how our cross border production systems actually work.

We are not ever going to look like Europe, but we can learn some things from the Europeans. Jean Monnet, the father of the European Community, believed that people could only unite behind a vision they shared. Monnet also understood the importance of building informed and committed constituencies: eventually groups that would press governments to realize the vision. Through the Action Committee, Monnet sought to mobilize constituencies that would support a European Community. In his Memoires, he described the constant outside pressure that the Action Committee brought to bear, and the moral influence the Committee exerted on the established authorities in each country. (See Jean Monnet, Memoires, Chapter 16, The Action Committee for the United States of Europe).

I don’t see this as a neat process. We will have to learn to tolerate a much greater degree of messiness, and that given the regional architecture of North America and our decentralized systems of government, proposed solutions might differ from region to region. Organizations, groups, and styles might well differ from issue to issue. They would; however, share a similar mandate: to generate ideas, to build informed constituencies, and to suggest policies and strategies to achieve these goals.

We cannot proceed to meet these new issues by trying to move forward “under the legislative and media radar.” If we act like conspirators, we will surely be accused of conspiracy. The collapse of the Security and Prosperity Partnership of North America (SPP) was hastened by the anti-NAFTA publicists’ “discovery” of the ‘dastardly’ plot to replace national sovereignty with a North American Union.

What disturbed me most, I think, about the SPP was that in the face of ridiculous accusations and charges about threats to sovereignty – even about secret highways – the three national governments were unprepared to respond. They were unwilling to mobilize constituencies and build alliances in state and metropolitan governments, and among stakeholders and opinion leaders to push the project forward.

In each of the areas I have noted – energy, environment, infrastructure, and others – we will have to be willing to construct alliances and coalitions. We must make issues visible, educate the public about options, suggest policy alternatives, and develop strategies to put policies in place.

We must think about decision-making and implementation at various levels, including relations between the center and the periphery, between national capitals, states/provinces, and emerging urban centers. We need to ask what we have learned from past initiatives ranging from the SPP to Enhanced Drivers Licenses, and what resulted from the trade corridor bubble of the 1990s and from organizations like the Pacific Northwest Economic Region (PNWER) on one border and the Arizona-Mexico Commission on the other.
We should be clever, and look first for easy wins. For example, Michael Hart understood this when he talked about dealing with regulations that were “low hanging fruit” – where harmonization could be undertaken without disgruntling too many established interests. We must demonstrate where North American solutions work, and we have to be willing to talk about what we are doing. Bottom line. Centre for Governance. We must construct governance systems that build legitimacy for continental approaches to the problems that we must soon confront.

“Practice, practice, practice.”

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Le cycle de conférences : Innovations en gouvernance

La Cycle de conférence Innovations en gouvernance est une initiative du Centre d’Études en gouvernance de la Faculté des sciences sociales de l’Université d’Ottawa. Elle a pour but de créer un espace de réflexion sur les solutions novatrices, originales et même parfois avant-gardistes pour faire face aux grands défis et problèmes contemporains auxquels les gouvernements sont confrontés. Les professionnels en résidence, les chercheurs invités, les universitaires associés au Centre d’Études en gouvernance sont les premiers sollicités. Le caractère appliqué, concret et ciblé de la série vise à favoriser le dialogue entre le milieu universitaire et celui des intervenants gouvernementaux et non-gouvernementaux. Les innovations proposées portent sur la gouvernance publique, la gestion publique, les politiques publiques, les rapports entre les acteurs gouvernementaux et non-gouvernementaux (secteur privé et société civile) dans le développement de politiques ou la production de services publics. Le public cible se compose de la communauté universitaire, des intervenants du secteur public et communautaire et du grand public.

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The Governance Innovation Lecture Series

The Governance Innovation Lecture Series is an initiative from the University of Ottawa’s Centre on Governance, Faculty of Social Sciences. The main objective of the series is to create a space for thinking about innovative solutions to address contemporary problems and challenges faced by governments. Senior Fellows, visiting researchers and faculty associated with the Centre on Governance will be the first asked to contribute to the series. The series focus on applied, concrete and targeted innovations and will aim at fostering dialogue between the academic, the government and the non-governmental sectors. The selected governance innovations should focus on public governance, public management, and public policy along with relationships between the government, the private sector and civil society in public policy design and public service delivery. The target audience is the academic community, civil servants, public and non-profit actors and the general public.

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