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INDEPENDENT TASK FORCE REPORT No. 53

Building a North American Community

Report of an
Independent Task Force

Sponsored by the Council on Foreign Relations
with the
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Consejo Mexicano de Asuntos Internacionales

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Building a North American Community

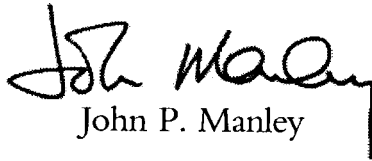
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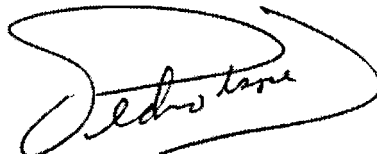
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Foreword

America's relationship with its North American neighbors rarely gets the attention it warrants. This report of a Council-sponsored Independent Task Force on the Future of North America is intended to help address this policy gap. In the more than a decade since the North American Free Trade Agreement (NAFTA) took effect, ties among Canada, Mexico, and the United States have deepened dramatically. The value of trade within North America has more than doubled. Canada and Mexico are now the two largest exporters of oil, natural gas, and electricity to the United States. Since 9/11, we are not only one another's major commercial partners, we are joined in an effort to make North America less vulnerable to terrorist attack.

This report examines these and other changes that have taken place since NAFTA's inception and makes recommendations to address the range of issues confronting North American policymakers today: greater economic competition from outside North America, uneven development within North America, the growing demand for energy, and threats to our borders.

ex: China
Europe

The Task Force offers a detailed and ambitious set of proposals that build on the recommendations adopted by the three governments at the Texas summit of March 2005. The Task Force's central recommendation is establishment by 2010 of a North American economic and security community, the boundaries of which would be defined by a common external tariff and an outer security perimeter.

Unlike previous Council-sponsored Task Forces, this project was international, or trinational to be precise. The membership was

comprised of policy practitioners, scholars, and business leaders from each of the three countries. The Task Force held meetings in Toronto, New York, and Monterrey. In this effort, the Council partnered with two outstanding institutions, the Canadian Council of Chief Executives and the Consejo Mexicano de Asuntos Internacionales. I thank them for their collaboration, collegiality, and support. We were extremely lucky that three experienced and dedicated North Americans—John P. Manley, Pedro Aspe, and William F. Weld—agreed to lead this effort. My appreciation as well goes to vice-chairs Thomas P. d'Aquino, Andrés Rozental, and Robert A. Pastor, project director Chappell H. Lawson, and Lee Feinstein, executive director of the Council's Task Force program. This report simply would not have been possible without their commitment, dedication, and expertise. Finally, I want to thank the Task Force members for the tremendous intellectual and time commitment they have made to this project, resulting in a valuable and lasting contribution to a subject of great importance to our three countries and beyond.

Richard N. Haass
President
Council on Foreign Relations
May 2005

Acknowledgments

A Task Force is only as good as its chairmen. This Task Force benefited immeasurably from the intellectual leadership and commitment of John P. Manley, Pedro Aspe, and William F. Weld. Their determination, humor, and good judgment brought this Task Force to a strong consensus. We were fortunate, also, to have had three highly knowledgeable and energetic vice chairs: Thomas P. d'Aquino, Andrés Rozental, and Robert A. Pastor. We are grateful to the Task Force membership, an impressive and dedicated group of Canadians, Mexicans, and Americans committed to building a more prosperous and secure North America. We thank Chappell H. Lawson, project director, for his fine contributions to the Task Force's work.

The Task Force thanks Canada's deputy prime minister and minister of public safety and emergency preparedness, Anne McLellan, and Suncor Energy Inc. President and Chief Executive Officer Richard George, who briefed the group in Toronto in October 2004; U.S. Senator John Cornyn (R-TX), Mexican Consul General Arturo Sarukhan, Hess Energy Trading Company Executive Adviser Edward L. Morse, and Director of the Center for Brazilian Studies at Columbia University Albert Fishlow, for their contributions to the meeting in New York in December 2004; and Nuevo Leon Governor Jose Natividad Gonzalez Paras and North American Development Bank Director Raul Rodriguez, who met with the Task Force in Monterrey in February 2005. In addition, the following individuals helped to ensure three productive Task Force sessions and deserve our hearty thanks: Dan

Gerstein, Eric Hrubant, Ramón Alberto Garza, and Eva Tamez. Nora Weiss, Elena Rich, Marcela Pimentel Lusarreta, Jorge Anaya, and Andrés Rozental lent their impressive translation skills to the effort.

Convening a trinationa Task Force is a tremendous undertaking. It would not have been possible without the support of the Canadian Council of Chief Executives and the Consejo Mexicano de Asuntos Internacionales, which joined with the Council on Foreign Relations in this effort.

At the Council on Foreign Relations, we would like to thank Council President Richard N. Haass, who proposed this Task Force and supported it throughout. Lisa Shields, Anya Schmemann, Kate Zimmerman, John Havens, Nancy Bodurtha, Meaghan Mills, Patricia Dorff, and Irina Faskianos helped to ensure that the Task Force's work received the attention of policymakers and press. Special thanks go to our colleagues on the Task Force staff, specifically Task Force Program Assistant Director Lindsay Workman and Research Associate Andrea Walther. This report would not have been possible without their expertise and dedication.

At the Canadian Council of Chief Executives (CCCE), we would like to recognize Executive Vice President David Stewart-Patterson, who provided significant editorial contributions, along with his colleagues Sam Boutziouvis, Nancy Wallace, Ross Laver, Cheryl Eadie, and Monique Kaymond-Duré. We also would like to thank the member chief executive officers whose companies support the CCCE's *North American Security and Prosperity Initiative*, which funded the CCCE's contribution to the work of the Task Force.

At the Consejo Mexicano de Asuntos Internacionales (COMEXI), our appreciation goes to its director, Aurora Adame, and to her able staff.

Finally, we are grateful to the Archer Daniels Midland Company, Merrill Lynch & Co., and Yves-Andre Istel for the generous financial support each provided for the work of this Task Force.

Lee Feinstein

Executive Director, Task Force Program

Task Force Report

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Introduction

The security and well-being of its citizens are at the pinnacle of any government's responsibilities. At the beginning of the twenty-first century, the futures of Canada, Mexico, and the United States are shared as never before. As a result, all three countries face a historic challenge: Do they continue on the path of cooperation in promoting more secure and more prosperous North American societies, or do they pursue divergent and ultimately less secure and less prosperous courses? To ask the question is to answer it; and yet, if important decisions are not pursued and implemented, the three countries may well find themselves on divergent paths. Such a development would be a tragic mistake, one that can be readily avoided if they stay the course and pursue a series of deliberate and cooperative steps that will enhance both the security and prosperity of their citizens.

At their meeting in Waco, Texas, at the end of March 2005, U.S. President George W. Bush, Mexican President Vicente Fox, and Canadian Prime Minister Paul Martin committed their governments to a path of cooperation and joint action. We welcome this important development and offer this report to add urgency and specific recommendations to strengthen their efforts.

The three countries of North America are each other's largest trading partners. More than 80 percent of Canadian and Mexican trade is with its North American Free Trade Agreement (NAFTA) partners. Almost one-third of U.S. trade is with Canada and Mexico. Trade among these three countries has tripled in value over the past decade.

In addition, cross-border direct investment has increased sharply, contributing to the integration of the three economies.

North America is also energy interdependent, though not energy independent. In 2004, Canada and Mexico were the two largest exporters of oil to the United States. Canada supplies the United States with roughly 90 percent of its imported natural gas and all of its imported electricity.

In addition, all three countries face common security dangers, from terrorism to drug trafficking to international organized crime. Addressing these dangers is a major challenge in this dynamic region: the borders between Canada, the United States, and Mexico will be crossed over 400 million times in 2005.

As liberal democracies, the governments also share common principles: protecting individual rights, upholding the rule of law, and ensuring equality of opportunity for their citizens. North America, in short, is more than an expression of geography. It is a partnership of sovereign states with overlapping economic and security interests, where major developments in one country can and do have a powerful impact on the other two.

More than a decade ago NAFTA took effect, liberalizing trade and investment, providing crucial protection for intellectual property, creating pioneering dispute-resolution mechanisms, and establishing the first regional devices to safeguard labor and environmental standards. NAFTA helped unlock the region's economic potential and demonstrated that nations at different levels of development can prosper from the opportunities created by reciprocal free trade arrangements.

Since then, however, global commercial competition has grown more intense and international terrorism has emerged as a serious regional and global danger. Deepening ties among the three countries of North America promise continued benefits for Canada, Mexico, and the United States. That said, the trajectory toward a more integrated and prosperous North America is neither inevitable nor irreversible.

In March 2005, the leaders of Canada, Mexico, and the United States adopted a Security and Prosperity Partnership of North America (SPP), establishing ministerial-level working groups to address key security and economic issues facing North America and setting a short