



# North American Regionalism

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*Can We Awaken the Sleeping Giant?*

PRINCIPAL AUTHOR

**Carl Meacham**

CONTRIBUTING AUTHORS

**Carlo Dade**

**Pamela K. Starr**

CSIS

CENTER FOR STRATEGIC &  
INTERNATIONAL STUDIES

*A Report of the CSIS Americas Program*

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Center for Strategic & International Studies  
1616 Rhode Island Avenue, NW  
Washington, DC 20036  
202-887-0200 | [www.csis.org](http://www.csis.org)

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## Preface

*The “North America Idea” is both simple and consequential: It means that all three nations take into account the interests of the others as each conducts its domestic and foreign policies. It means that all three countries undertake together the task of designing a continental future and a genuine partnership that goes beyond rhetoric to a clear definition of a community in North America.*<sup>1</sup>—Robert Pastor, 2011

Perhaps the late Robert Pastor, one of the intellectual fathers of the North American Free Trade Agreement (NAFTA) and in many ways the original North Americanist, put it best: Canada, Mexico, and the United States are inextricably linked by the simple virtue of their geography, and each will be best served when they act in their common interests.

But 20 years after NAFTA first entered into force, North American regionalism is far from a priority. NAFTA has proven a resounding success, flying in the face of the many critics who decried the project as an unrealistic endeavor that would hurt U.S. labor, encourage the opening of already-permeable borders, and bring little benefit, if any, to the American economy. The agreement does, of course, have its challenges, among them issues with wage parity, but the first two decades saw the creation of some 5 million jobs in the United States alone—a far cry from the movement of jobs abroad and domestic unemployment that many feared the agreement would fuel.

Twenty years later, the strength and durability of NAFTA have been well demonstrated, but, as former Mexican ambassador to the United States Arturo Sarukhan put it, NAFTA was “negotiated 20 years ago, when the global economy was very different from what it is today.”<sup>2</sup> It is an agreement born in the 1990s, seeking to compete in 2014 and beyond, with no plans set for its modernization.

And as NAFTA stands still, the region and the world are surging forward. Perhaps the best example of this forward push is the Pacific Alliance, an innovative trade bloc founded by Chile, Colombia, Peru, and Mexico. Just two years since negotiations began, the group has already implemented the free movement of capital, goods, services, and people among member states, removed 92 percent of intra-bloc trade barriers, and begun harmonizing their diplomatic relations abroad. An agreement inherently Latin American in nature and in membership, the Pacific Alliance is, in many ways, the emblematic example of modern trade and integration partnerships.

But here in North America, the trilateral relationship desperately needs updating. Each country stands to gain should the three deepen their cooperation and bring it into the twenty-first century, building off the successful commercial partnership through addressing continental energy, the movement of people, and harmonizing their trade relations elsewhere—issues that will certainly define trilateral relations for the foreseeable future.

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<sup>1</sup> Robert Pastor, *The North American Idea: A Vision of a Continental Future* (New York: Oxford University Press, 2011), xiv.

<sup>2</sup> Mark Felsenthal and David Alire Garcia, “‘Three amigos’ to discuss oil pipeline at Mexico trade summit,” Reuters, February 17, 2014, <http://uk.reuters.com/article/2014/02/17/usa-mexico-trade-idUKL2N0LM0L820140217>.

North America is alive and well, an economic powerhouse even in the continuing wake of global recession. But North Americanism, the notion of a continent that, to some extent and at select moments, acts and conceives of itself as a collective, is faring far poorer. Nineteenth-century infrastructure and a twentieth-century framework are dragging down the reality of a twenty-first-century relationship, and the North American idea is frailer than at any point since NAFTA began.

In this paper Carlo, Pam, and I address both that frailty and what might be done to reinvigorate the weakening continental framework, to pick up the proverbial mantle of North Americanism, advancing the idea and updating it for the twenty-first century. Our aim is to build on the great work of such original North Americanists as Robert Pastor.

Large-scale change to the relationship will not be easy. The still-stalled decision on the Keystone XL pipeline and the ongoing lack of progress on immigration reform are prime examples of that. But there are so many potential avenues for cooperation—updating border infrastructure, working toward trilateral regulatory harmonization—that, in the aggregate, could amount to meaningful reform.

Their common history and culture, their energy compatibility, trade relations on the continent and beyond: all of these make the three countries' further cooperation not just possible, but the ideal to which the trilateral relationship should strive. If Canada, Mexico, and the United States work together, North America can solidify its global preeminence. But if they allow the relationship to continue to stagnate, North America could be left behind.

*Carl Meacham*  
*Director, CSIS Americas Program*



# North American Regionalism

## Can We Awaken the Sleeping Giant?

Carl Meacham, principal author

Carlo Dade and Pamela K. Starr, contributing authors

*The key to our own future security may lie in both Mexico and Canada becoming much stronger countries than they are today. . . . It is time we stopped thinking of our nearest neighbors as foreigners.*<sup>1</sup>—Ronald Reagan, 1979

*We're trying to build a better future for all of us, and I really think that this future is in North America.*<sup>2</sup>—Vicente Fox, 2013

*And would it still be realistic that someday the world will look at us as part of a free trade area of the Americas, with that vast power at our disposal? Why not? There's no reason that brighter and younger people can't bring this about. But someone's got to spend the political capital.*<sup>3</sup>—Brian Mulroney, 2014

## Recommendations

For North America to modernize and ensure its competitiveness through the twenty-first century and beyond, Canada, Mexico, and the United States should consider the following:

- Explore the coordination of energy markets, focusing on developing a common set of regulatory standards;
- Address the movement of people, both legally and illegally, among the three countries, implementing meaningful reform of the laws regulating intra-continental migration;
- Deepen the already fruitful commercial partnership the three countries enjoy, working to eliminate remaining trade imbalances and begin harmonizing their trade relations elsewhere, with other trade blocs and individual nations alike, on a case-by-case basis; and

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<sup>1</sup> Robert Pastor, *The North American Idea: A Vision of a Continental Future* (New York: Oxford University Press, 2011), 3.

<sup>2</sup> "Former Mexican President Vicente Fox addresses the Boston Speakers Series," Lesley University, March 21, 2013, <http://www.lesley.edu/news/2013/03/former-mexican-president-vicente-fox-addresses-the-boston-speakers-series/>.

<sup>3</sup> Joe Chidley, "Mulroney on his NAFTA legacy," interview, *The Globe and Mail* (Toronto), February 27, 2014, <http://www.theglobeandmail.com/report-on-business/rob-magazine/brian-mulroney-on-nafta-and-other/article17111096/>.

- Recognize the importance and dynamism of subnational-level initiatives and agreements as an engine for advancing the North American agenda.

## Background: The History of North American Regionalism

Some 25 years ago, Canada and the United States signed the U.S.-Canada Free Trade Agreement, liberalizing the bilateral trade between the two already like-minded nations. With their high degree of economic parity in industry and productivity, in addition to their cultural similarities and their long, shared border, the two countries made an intuitive step forward in their relationship. Their economic interdependence that persists to this day is, in many ways, a testament to the prudent and forward-looking nature of the agreement.

It wasn't until five years later, however, that the two northern governments agreed to expand the umbrella of liberalized trade to their southern neighbor—a move much more controversial than the bilateral agreement signed in 1989. When it entered into force in January 1994, the North American Free Trade Agreement (NAFTA), a trilateral effort to collectively liberalize the North American market, was groundbreaking. Building on the bilateral foundation laid by the United States and Canada, NAFTA created the world's largest free-trade zone and opened up the traditionally more regulated Mexican market, leveraging the continent's collective strength to boost all three countries' productivity and competitiveness.

NAFTA would, ultimately, prove pivotal for the region's economic output and growth. Speaking to the benefit of geographic proximity in economic collaboration, the agreement capitalized on reduced transportation and communication costs to develop a framework to ease the flow of goods and services within North America, increasing competitiveness by leveraging each country's strengths and advantages. And by encouraging pragmatism and efficiency, the agreement accelerated economic growth, expanded employment, increased productivity, and ballooned regional trade.

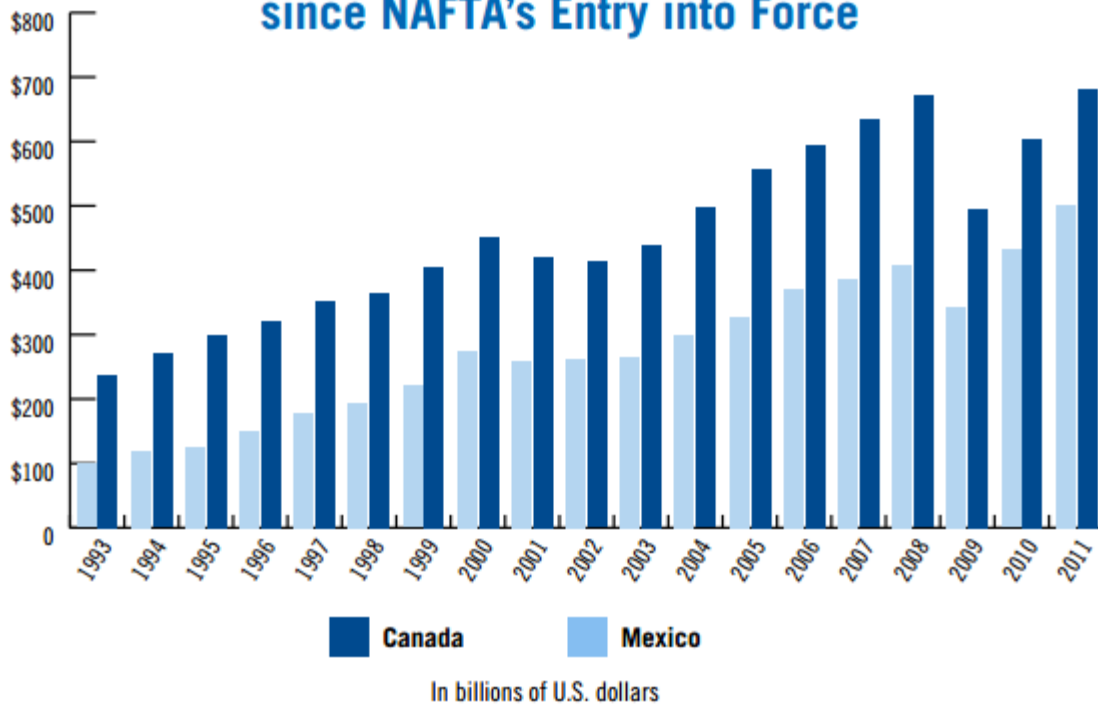
Trilateral trade increased by some 350 percent—currently totaling US\$1.2 trillion—in NAFTA's first two decades (see the chart below).<sup>4</sup> Canada and Mexico together buy about one-third of U.S. exports worldwide. Trade with Canada and Mexico supports just under 14 million U.S. jobs—and nearly 5 million of those have been specifically enabled by NAFTA alone.<sup>5</sup> Some 40 percent of goods “Made in Mexico” contain components made in U.S. factories, and agricultural exports to Canada and Mexico have tripled and quintupled since 1994, respectively, providing a huge and growing market for U.S. farmers and ranchers.

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<sup>4</sup> U.S. Chamber of Commerce, *NAFTA Triumphant: Assessing Two Decades of Gains in Trade, Growth, and Jobs* (Washington, DC: U.S. Chamber of Commerce, 2012), 2, [https://www.uschamber.com/sites/default/files/legacy/reports/1112\\_INTL\\_NAFTA\\_20Years.pdf](https://www.uschamber.com/sites/default/files/legacy/reports/1112_INTL_NAFTA_20Years.pdf).

<sup>5</sup> Ibid.

## U.S. Trade with Canada and Mexico since NAFTA's Entry into Force



Source: U.S. Chamber of Commerce, *NAFTA Triumphant: Assessing Two Decades of Gains in Trade, Growth, and Jobs* (Washington, DC: U.S. Chamber of Commerce, 2012), 2, [https://www.uschamber.com/sites/default/files/legacy/reports/1112\\_INTL\\_NAFTA\\_20Years.pdf](https://www.uschamber.com/sites/default/files/legacy/reports/1112_INTL_NAFTA_20Years.pdf).

So for the past two decades, NAFTA has largely (if not entirely) defined the tenor of North American trilateral efforts. And given the success of its commercial framework, the three countries have made minimal effort at best to update the agreement for an increasingly dynamic—and increasingly integrated—international system.

In the absence of a robust trilateral effort to update the framework, subnational actors are increasingly taking the lead, generating a steady but quiet progression of relations since NAFTA was signed. Between 1998 and 2009, some 23 state-provincial agreements increased cooperation in trade, agriculture, forestry, and environmental management.<sup>6</sup> Since 2006, Quebec, Alberta, Manitoba, and British Columbia in Canada and Nuevo Leon, Jalisco, Campeche, Distrito Federal, and Veracruz in Mexico have led that charge, filling the gap in federal action on issues of broader continental importance, offering new avenues for regional cooperation.

<sup>6</sup> David Parks, “Beyond Trade: Sub-national Diplomacy between Canada and Mexico,” policy brief, Canadian Foundation for the Americas, March 2011, [http://www.focal.ca/images/stories/pdfs/CMI\\_Parks\\_Beyond\\_Trade\\_Sub-national\\_diplomacy\\_between\\_Canada\\_and\\_Mexico\\_March\\_2011.pdf](http://www.focal.ca/images/stories/pdfs/CMI_Parks_Beyond_Trade_Sub-national_diplomacy_between_Canada_and_Mexico_March_2011.pdf).

## NAFTA at 20: Regionalism in an Increasingly Global World

All around the world, free trade and economic liberalization are becoming the norm. However revolutionary NAFTA may have been at its inception, the two decades since the agreement entered into force have seen the development of a global attitude much more conducive to free trade than at any point in the past. And this is particularly true in the Western Hemisphere, which has seen a skyrocketing of bilateral and multilateral trade agreements alike.

The United States alone has signed free-trade agreements with nine countries since 2001 and is currently in negotiations to finalize the Trans-Atlantic Trade and Investment Partnership (TTIP) with the European Union, an agreement that, if successful, will formally link the world's two largest economies and be the single-largest trade deal to date. Mexico and Canada have both been vocal on the TTIP, suggesting—for good reason—that a NAFTA-EU deal may well be the logical next step, given the already-integrated North American market, Mexico's existing bilateral trade agreement with the EU, and the EU's pending trade deal with Canada. And the U.S. government has played a leading role in negotiating the Trans-Pacific Partnership (TPP), a major multilateral FTA that includes 14 countries on both sides of the Pacific Ocean in a forward-looking and expansive step for global free trade.

Outside of North America, the free-trade tide is strong as well—if not even stronger. With NAFTA as something of a prototype, countries are increasingly working together toward liberalizing their trade relations—both within the Western Hemisphere and beyond.

Born initially as a peacekeeping instrument, the Association of Southeast Asian Nations (ASEAN) has, in recent years, demonstrated its adaptability to the changing demands of its members and of the global system. Increasing competition from the Chinese and Indian economies, paired with 2008's global economic crisis, spurred the creation of the “ASEAN Community,” an effort to cooperate on the members' common economic, political, and security goals, as well as expand their economic integration in key sectors.<sup>7</sup>

Through this integration, ASEAN members have achieved impressive gains, totally US\$2.2 trillion in gross domestic product (GDP), with an average GDP growth rate of 4.7 percent.<sup>8</sup> And the group has further proven their adaptability to market demands by proposing larger arrangements: ASEAN+3 and ASEAN+6, to include China, Japan, Korea, Australia, India, and New Zealand—among the region's largest and fastest-growing economies—to their ranks.

Perhaps the most exciting example of adaptive regionalism, however, is the Pacific Alliance, a trade bloc founded by Chile, Colombia, Mexico, and Peru in 2012. Seen as a modern solution to some of the region's oldest economic woes, the group already represents a full half of trade in Latin America and the Caribbean, attracting over 40 percent of the region's foreign direct investment and generating 36 percent of its GDP.<sup>9</sup>

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<sup>7</sup> Alejandro Foxley, *Regional Trade Blocs: The Way to the Future?* (Washington, DC: Carnegie Endowment for International Peace, 2010), 25, [http://carnegieendowment.org/files/regional\\_trade\\_blocs.pdf](http://carnegieendowment.org/files/regional_trade_blocs.pdf).

<sup>8</sup> Office of the U.S. Trade Representative, “Association of Southeast Asian Nations (ASEAN),” <http://www.ustr.gov/countries-regions/southeast-asia-pacific/association-southeast-asian-nations-asean>.

<sup>9</sup> The Pacific Alliance, “Strategic Value,” n.d., <http://alianzapacifico.net/en/hoe-eng/strategic-value>.

And with a combined GDP topping US\$2 trillion, the bloc is roughly the same size as Brazil, the region's second-largest single economy.<sup>10</sup>

The bloc, which boasts some of Latin America's largest and fastest-growing economies, has already torn down barriers to the free movement of capital, goods, services, and people among the member states, with the ultimate goal of making the group more attractive to markets across the Pacific Ocean. By last summer, the group had agreed to eliminate trade barriers for 92 percent of in-bloc trade and extended membership to Costa Rica—in addition to their progress eliminating visas for in-bloc travel, establishing joint offices for their commercial agencies, and operating joint embassies in countries like Ghana and Singapore.<sup>11</sup> In its first two years, the alliance has garnered headlines for its pragmatic, results-oriented, step-by-step approach to integrating their markets and attracting investment.

The emergence and growth of agreements like the Pacific Alliance and the ASEAN Community make reforming NAFTA more relevant now than ever before. With nearly half a billion people and an average GDP per capita of US\$41,000, North America is among the world's most attractive markets.<sup>12</sup> And the continent's common culture of intellectual property protection, the cultivation of human capital, an already-liberalized economy, and the most stable democratic governments in the Western Hemisphere suggest the extraordinary potential for growth should the three countries work to modernize their trilateral framework. But as it stands, NAFTA remains stagnant, intact but unchanged since its inception 20 years ago.

## What's Holding North America Back?

On February 19 of this year, Canadian prime minister Stephen Harper, U.S. president Barack Obama, and Mexican president Enrique Peña Nieto gathered in Toluca, Mexico, for the annual North American Leadership Summit—the so-called “three amigos” meeting. And with the meeting falling just one month after NAFTA celebrated its 20th anniversary, many felt that the summit might serve as an opportune moment for the reevaluation of the agreement, perhaps launching a process of reform to bring it up-to-date and set new goals for the trilateral relationship moving forward.

Despite Secretary of State John Kerry's suggestion that reforming NAFTA, particularly through furthering trilateral energy cooperation, was in order, advocates of NAFTA's reinvigoration watched the opportunity pass at the summit, with none of the leaders taking the initiative to prioritize the development of an updated framework for trilateral relations. And perhaps, in context, this should not be all that surprising.<sup>13</sup>

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<sup>10</sup> The Pacific Alliance, “The Pacific Alliance,” 2013, <http://alianzapacifico.net/wp-content/uploads/2013/07/ABC-ALIANZA-DEL-PACIFICO-PRENSA-INGLES.pdf>.

<sup>11</sup> Elizabeth Reyes L., “La Alianza del Pacífico elimina los aranceles para el 92% de los productos,” *El País*, February 11, 2014, [http://internacional.elpais.com/internacional/2014/02/11/actualidad/1392076207\\_510966.html](http://internacional.elpais.com/internacional/2014/02/11/actualidad/1392076207_510966.html).

<sup>12</sup> Christopher Wilson, “NAFTA's Next 20 Years: In Face of Chinese Competition, Bonds Must Be Strengthened,” *Forbes*, January 6, 2014, <http://www.forbes.com/sites/themexicoinstitute/2014/01/06/the-next-twenty-years-of-nafta/>.

<sup>13</sup> John Kerry, “Remarks on U.S. Policy in the Western Hemisphere” (remarks delivered at the Organization of American States, Washington, DC, November 18, 2013), <http://www.state.gov/secretary/remarks/2013/11/217680.htm>.

Though Mexico has instituted large-scale reforms to its macroeconomic policy since 1994—many to allow it to comply with the region’s provisions—it still, in theory, has the most to gain from deepening the partnership. The weakest of the three economies and facing the most pressing domestic challenges, particularly in the realms of transnational crime, economic opportunity, and citizen security, Mexico has numerous incentives to integrate more deeply with its northern neighbors—a process that could, in the long run, ease pressures at home.

But despite this theoretical openness to greater integration, President Peña Nieto has larger proverbial fish to fry. He assumed the presidency just one-and-a-half years ago with an ambitious—and, many thought, unrealistic—public policy agenda. But in his first year as president, he has already made tangible progress on most of his proposed reforms—most notably those of the education, tax, telecommunications, and energy sectors. And with countless resources committed to fighting the ongoing war on drugs, even with U.S. support for the bilateral Merida Initiative, political will to start what would likely be a lengthy and, at times, painstaking process is minimal, at best.

Much of the same can, ultimately, be said for the United States. Mired in domestic political divisiveness, the U.S. government has, in recent months and years, had trouble rallying legislators and the American public alike around any public policy agenda. And even as the political discourse in the United States has become ever more inflammatory, the foreign policy establishment has been preoccupied as well, facing a seemingly unending deluge of international crises: the National Security Administration (NSA) leaks, chemical weapons in Syria, nuclear power in Iran, and Russian involvement in Ukraine, to name a few. In this context, embarking on an effort to increase trilateral cooperation has not ranked high among the White House’s priorities.

This extreme partisanship and preoccupation with crisis after crisis has similarly kept the United States from focusing on a series of public policy issues deeply resonant in the region—and relevant to future trilateral efforts: the movement of people and continental energy security. After a summer of hopeful build-up, U.S. immigration reform—an issue of particular importance to Mexico—was (once again) put on hold last fall given the rapid spiraling of the chemical weapons situation in Syria. And with legislative elections coming up this fall, immigration reform appears to have fallen off the legislative agenda entirely.

Canadian interests have factored into the U.S. agenda in the form of the Keystone XL pipeline, a proposed project that would build a transnational pipeline connecting Canadian crude oil extraction in Alberta to American refineries in Texas. But just as the legislature has delayed immigration reform, the White House has repeatedly stalled on delivering its final decision on the pipeline, most recently putting the decision on indefinite hold in light of an ongoing legal battle over the proposed route in Nebraska.

Looking farther north, just as Mexico might have the most to gain from pushing for greater trilateral cooperation, Canada might be the best positioned to push for that outcome. But of the three, Canada arguably has the least political will for furthering broader North American efforts, still unconvinced that North America is a table for three—not two. Even Canada’s bilateral ties with Mexico appear to be stagnating, with the Mexican ambassador to Canada noting that the relationship had “lost dynamism”

and “become stagnant” in recent years.<sup>14</sup> But with Canada’s international objectives traditionally relying on maintaining stability and ensuring free access to global markets, it seems that Prime Minister Harper’s government feels that things are working “well enough” in North America.<sup>15</sup>

And perhaps it is this idea more than anything else—the idea that North America is working “well enough”—that serves to blind the three leaders to the coming challenges and opportunities facing the continent.

## How Can North America Move Forward?

The growing emergence of regional alliances has, in a short time, reshaped expectations for multilateral frameworks and partnerships. In a world awash in new, dynamic trade and integration arrangements—among them the Trans-Pacific Partnership, the Pacific Alliance, and the Trans-Atlantic Trade and Investment Partnership, all of which are more advanced, more ambitious, and more modern than NAFTA—North America has put itself at the great risk of being left behind.

But bringing the three to the table with a strong commitment to deepening the trilateral framework and adapting it to the twenty-first century may not prove an easy task. With forward movement at the continental level proving elusive, many have looked to the Trans-Pacific Partnership negotiations as a potential framework to implicitly update NAFTA.<sup>16</sup> Even this high-hopes and high-stakes agreement, though, is unlikely to be fully realized in the short run, casting still more doubt on the prospects for an updated North America.

Ultimately, for the three countries to expand their trilateral partnership, one among them will have to step up. But any one of three can only be expected to take the lead on pushing greater North American cooperation with a significant buildup of political will at home and encouragement from its counterparts abroad.

That political will is likely to continue to prove elusive (as it has to date). And perhaps the best bet for building trust, confidence, and good-feeling is to address issues pivotal to the trilateral relationship one-by-one: the movement of people, correcting perceived trade imbalances, and continental energy security.

The movement of people—immigration—remains a highly controversial issue in all three countries. With security and economic pressures continuing to drive Mexican citizens northward—primarily to the United States, but to Canada as well—the Mexican government has long sought eased travel and immigration restrictions that target its citizens.

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<sup>14</sup> Mike Blanchfield, “Envoy says Canada, Mexico relationship ‘stagnant’ as Harper visit looms,” *The Globe and Mail* (Toronto), February 2, 2014, <http://www.theglobeandmail.com/news/national/envoys-says-canada-mexico-relationship-stagnant-as-harper-visit-looms/article16653197/>.

<sup>15</sup> Canadian Press, “NAFTA reopening possible after South Korea deal, Harper hints,” CBC News, March 13, 2014, <http://www.cbc.ca/news/business/nafta-reopening-possible-after-south-korea-deal-harper-hints-1.2571048>.

<sup>16</sup> See, for example, Dana Gabriel, “The Next Phase of North American Integration: NAFTA to Be Swallowed Up by the Trans-Pacific Partnership (TPP)?” Centre for Research on Globalization, January 28, 2014, <http://www.globalresearch.ca/the-next-phase-of-north-american-integration-nafta-to-be-swallowed-up-by-the-trans-pacific-partnership-tpp/5366492>.

Canada, the least involved of the three countries, has firmly insisted that visa restrictions will not be lifted until its bilateral trade imbalances with Mexico are corrected. And while the U.S. legislature hasn't pinned immigration reform to any action on the part of its counterpart in Mexico, the issue remains so contentious that no meaningful progress has been made. President Peña Nieto has, in contrast, argued for the benefits all three countries will derive from increased labor mobility, which could allow for a more efficient allocation of resources and economic inputs, insisting that the free movement of people is integral to the continent's ability to move forward (as in the Pacific Alliance, Mexico's other major multilateral trade agreement).<sup>17</sup> But by moving to resolve so controversial an issue, the three governments might deliver a portion of the benefits derived from a more integrated, cooperative North America, generating enough political will to push the trilateral relationship still further forward.

With energy reform moving forward in Mexico, U.S. energy production is projected to top 90 quadrillion Btu by 2017,<sup>18</sup> and with Canada sitting on vast reserves (many still unexploited),<sup>19</sup> North America has the potential to be the world's next energy powerhouse, surpassing Middle Eastern preeminence as the world's energy provider. And with Mexico's energy reform well off the ground, President Peña Nieto has delivered on his efforts to revitalize the Mexican energy sector, allowing for U.S. and Canadian investment in an industry long closed to foreign involvement.

Even with Mexico moving forward, there are concerns that bilateral energy ties between the United States and Canada are at risk. Canada remains the U.S. oil industry's single-largest supplier of crude oil, transporting an average of 3.1 million barrels of crude oil *per day* to U.S. refineries—single-handedly nearly as much as the entire Organization of the Petroleum Exporting Countries (OPEC).<sup>20</sup> But despite the closeness of that relationship, the White House continues to delay its decision on the Keystone XL pipeline, which, according to the most recent estimates, would transport an additional 800,000 barrels per day of heavy crude oil to refineries in Texas—and allowing the U.S. oil industry to rely on the country's closest ally and partner in lieu of some of the world's more controversial regimes. And many feel that approving the pipeline could be the final step in securing North America's energy security and independence for the foreseeable future.

There are, of course, environmental concerns associated with the development of the crude oil reserves that would supply the pipeline. But the concern is less that the pipeline be *approved*, at this point, and more that a decision be made at all. Some five years, two environmental impact studies, numerous legislative hearings, and countless public debates later, the decision remains on indefinite hold—the latest delay due to an ongoing legal battle in Nebraska over the pipeline's eventual route. The so-called foot-dragging

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<sup>17</sup> Jeffrey Simpson, "Pena [sic] sends Mexico's diplomatic reply," *The Globe and Mail* (Toronto), March 22, 2014, <http://www.theglobeandmail.com/globe-debate/pena-sends-mexicos-diplomatic-reply/article17597876/>.

<sup>18</sup> U.S. Energy Information Administration (EIA), "Total Energy Supply, Disposition, and Price Summary, Reference Case [2011–2040]," <http://www.eia.gov/oiaf/aeo/tablebrowser/#release=AEO2014&subject=1-AEO2014&table=1-AEO2014&region=0-0&cases=ref2014-d102413a>.

<sup>19</sup> EIA, "Canada: Country Analysis Brief Overview," 2014, <http://www.eia.gov/countries/country-data.cfm?fips=ca>.

<sup>20</sup> The Organization of the Petroleum Exporting Countries (OPEC) comprises Algeria, Angola, Ecuador, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, the United Arab Emirates, and Venezuela. Collectively, OPEC shipped an average of 3.7 million barrels of oil per day to the United States in 2013; Canada shipped an average of 3.1 million barrels per day the same year.



has been labeled “irresponsible, unnecessary, and unacceptable” by lawmakers in the United States.<sup>21</sup>

At this point, given waning patience among U.S. lawmakers, the American public, and the Canadian government, *any* decision might be more favorable than further delays, removing a key point of contention weighing down U.S.-Canada (and greater North American) relations.

There is also the potential for the three countries to work together on much smaller and less visible issues. Even working toward an outcome as simple as a trilaterally coordinated rules-of-origin framework—particularly given the existing bilateral U.S.-Mexico and U.S.-Canada agreements—could prove a substantial move in the right direction, both symbolically and practically. And, in theory, such small steps could come to compose a cohesive set of changes that together make for larger-scale reform to the trilateral relationship.

## Conclusions

What matters more than any individual policy decision is that the three countries come to recognize the enormous amount they stand to gain by walking together—and all that they have to lose should they allow their trajectories to diverge.

Regional integration does not, by any means, have to amount to anything close to a full merger of North America’s economies and governments. It could well develop along a path more akin to that of the Pacific Alliance: a step-by-step process that thoughtfully—and patiently—deals with one issue at a time, bringing all members squarely on board with each step forward.

That said, even executing a plan to update the existing framework by revisiting NAFTA would require a level of foresighted statesmanship—in addition to a commitment to North Americanism and its benefits—that may well be lacking in all three countries. But much more has been done under much tougher circumstances.

The European Union, long dismissed as the pipedream of naïve pacifists, is among the most successful political and economic experiments of the past quarter-century, despite its challenges. NAFTA itself, at first viewed as little more than an overambitious effort to liberalize the Mexican economy, has proven its—and North America’s—mettle as an economic powerhouse, particularly when the countries act in concert.

The smallness of what divides us has come to overwhelm the largeness of what unites us. Each of the three countries must come to realize that whatever its own priorities moving forward, the rebirth of the continent’s global presence must, regardless of the impetus, be inherently and intentionally North American in nature.

As long as illegal immigration, an out-of-date visa framework, out-of-sync trade relations abroad, and indecision on Keystone XL persist, North America will struggle to cooperate

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<sup>21</sup> Jaime Fuller, “With Keystone XL’s delay, another controversial issue hits pause before the midterms,” *Washington Post*, April 21, 2014, <http://www.washingtonpost.com/blogs/the-fix/wp/2014/04/21/with-keystone-xls-delay-another-controversial-issue-hits-pause-before-the-midterms/>.

and act as one. But if the three countries can come together and resolve those key issues, they might pave the way for a jointly prosperous future.

With the world surging forward, is there really an alternative?

## About the Authors

**Carl Meacham** is director of the CSIS Americas Program. He joined CSIS from the Senate Foreign Relations Committee (SFRC), where he served on the professional staff for Senator Richard Lugar (R-IN) for over a decade. He served as the senior adviser for Latin America and the Caribbean on the committee, the most senior Republican Senate staff position for this region. In that capacity, he travelled extensively to the region to work with foreign governments, private-sector organizations, and civil society groups. He was also responsible for managing the committee's relationship with the State Department regarding the Western Hemisphere and overseeing its \$2 billion budget. Before he joined SFRC, Meacham worked on the staff of two Democratic senators. Prior to his Senate work, he served at the Department of Commerce as special assistant to the deputy secretary, at the Cuban Affairs Bureau of the Department of State, and at the U.S. embassy in Madrid.

**Carlo Dade** is currently the director of the Centre on Trade and Investment Policy at the Canada West Foundation, where he focuses on the role of private-sector actors in international development, trans-Pacific Trade, and Canadian engagement in Latin America. Prior to this, he was a senior fellow in the School of International Development and Global Studies at the University of Ottawa, as well as executive director of the Canadian Foundation for the Americas (FOCAL), where he also served as the Canadian director of the Canada-Mexico Initiative at FOCAL and the Mexican Council of Foreign Relations (COMEXI). Prior to FOCAL, Mr. Dade served with the Inter-American Foundation, an independent U.S. government agency managing grant portfolios in Haiti, the Dominican Republic, and Commonwealth Caribbean. Mr. Dade was a founding member of the Enterprise Research Institute (ERI), a Washington, D.C., think tank specializing in private-sector development and corporate social responsibility. Prior to ERI, he worked for five years in the Latin American and Caribbean Region Technical Department of the World Bank.

**Pamela K. Starr** is director of the U.S.-Mexico Network at the University of Southern California (USC), an associate professor in its School of International Relations, and a university fellow with its Center on Public Diplomacy. She joined USC from the Eurasia Group, where she was senior analyst responsible for Mexico. Prior to that, she spent eight years in Mexico as a professor of Latin American political economy at the Instituto Tecnológico Autónomo de México (ITAM), a private university in Mexico City. Dr. Starr is an active speaker, commentator, and author on Mexican politics, economic policy, security affairs, foreign policy, U.S.-Mexico relations, and economic policymaking in Latin America. She is the author of a 2009 Pacific Council on International Policy report on U.S.-Mexico relations, a Council on Foreign Relations report on the 2006 Mexican election, and most recently an essay, "U.S.-Mexican Relations and Mexican Domestic Politics," published in *The Oxford Handbook of Mexican Politics*. Dr. Starr is an associate of the Inter-American Dialogue and is an active member of the Latin American Studies Association. After receiving her Ph.D. from the University of Southern California in 1993, she worked as a visiting assistant professor at the University of California, Los Angeles, before moving to ITAM in 1997.







1616 Rhode Island Avenue NW | Washington, DC 20036  
t. 202.887.0200 | f. 202.775.3199 | [www.csis.org](http://www.csis.org)