

The Next Phase of North American Integration. NAFTA to be Swallowed up by the Trans-Pacific Partnership (TPP)?

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In preparation for the upcoming North American Leaders Summit which will be held in Toluca, Mexico on February 19, U.S. Secretary of State John Kerry recently held a meeting with his Canadian and Mexican counterparts. Over the last number of years, not as much attention has been given to the trilateral relationship. Instead, the U.S. has essentially pursued a dual-bilateral approach with both Canada and Mexico on key issues including border and continental perimeter security, as well as regulatory and energy cooperation. On the heels of its 20th anniversary, there once again appears to be renewed interest in broadening and deepening the NAFTA partnership as part of the next phase of North American integration.

On January 17, U.S. Secretary of State John Kerry hosted the [North American Ministerial](#) with Canadian Foreign Minister John Baird and Mexican Foreign Secretary Jose Antonio Meade. The discussions centered around topics such as regulatory, energy and trade relations, along with border infrastructure and management. The meeting was used to lay the groundwork for next month's [North American Leaders Summit](#) which will include the participation of U.S. President Barack Obama, Canadian Prime Minister Stephen Harper and Mexican President Enrique Pena Nieto.

During a press conference, a reporter asked about reopening NAFTA in order to update it. Secretary Kerry answered, "the TPP, is a very critical component of sort of moving to the next tier, post-NAFTA. So I don't think you have to open up NAFTA, per se, in order to achieve what we're trying to achieve." Minister Baird added, "we believe that NAFTA's been an unqualified success, the Trans-Pacific Partnership (TPP) trade negotiations, which all three of us are in, offer us the opportunity to strengthen the trilateral partnership." Secretary Meade also chimed in, "We do not think it is necessary to reopen NAFTA, but we think we have to build on it to construct and revitalize the idea of a dynamic North America."

In December 2013, the [Miami Herald reported](#) that the Obama administration, "is exploring a regional trade plan for the Americas that would be the most ambitious hemispheric initiative in years." It went on to say that Secretary of State John Kerry, "would like to first seek an agreement to deepen the existing North American Free Trade Agreement (NAFTA) with Mexico and Canada, and to expand it afterward to the rest of Latin America." According to some of Kerry's top aides, "the plan to relaunch NAFTA could come as early as February, when President Barack Obama is scheduled to meet with his Mexican and Canadian counterparts at a North American Leaders' Summit in Mexico." The recent article, [U.S. lays](#)

[out goals for NAFTA](#) cautioned that, “the shared goal of a NAFTA 2.0 that wins fresh, sustainable gains for Canada, Mexico and the U.S., the Americans warn, is unlikely to come in a single, dramatic and easily digestible sound byte.” It further noted that, “Instead, the Americans are urging a more realistic approach aimed at reviving trilateral momentum, with a dogged diplomatic effort that aggressively fine-tunes, streamlines and expands the trade pact.”

Last year, business leaders from across North America released a set of policy recommendations designed to increase continental economic integration and competitiveness. In a [letter](#) issued to President Barack Obama, Prime Minister Stephen Harper and President Enrique Peña Nieto, the Business Roundtable, the Canadian Council of Chief Executives and the Consejo Mexicano de Hombres de Negocios called for greater trilateral government action in the areas of intelligent border systems, regulatory standards and practices, as well as North American energy security and sustainability. The business organizations explained that, “More can and should be done to promote regulatory cooperation between our three countries, to facilitate the legitimate movement of people, goods and services.” They emphasized that the time to act was now and that their specific proposals would, “help deepen our economic ties, strengthen the international competitiveness of Canadian, Mexican, and U.S. companies and their workers, and realize North American energy self-reliance.” Their goal is to create a seamless North American market.

At the third annual [North American Competitiveness and Innovation Conference](#) in October 2013, government officials, trade experts and leaders representing the private and academic sectors from all three countries gathered to discuss strategies aimed at boosting NAFTA ties. Among the attendees were U.S. Secretary of Commerce Penny Pritzker, Canadian Minister of International Trade Edward Fast, and Mexican Secretary of Economy Ildefonso Guajardo. In a [joint statement](#), they agreed to strengthen their trade and economic relationship. The ministers, “committed to crafting a roadmap that both promotes prosperity across the NAFTA region for the next 20 years and maintains our position as the most competitive region in the world.” They also pledged to enhance, “regulatory cooperation, and coordinated efforts to facilitate increased trade through many initiatives, including the ongoing Trans-Pacific Partnership (TPP) negotiations.” With NAFTA as the foundation, the U.S., Canada and Mexico are working towards taking their trilateral partnership to the next level.

In the report [North American Competitiveness: The San Diego Agenda](#), Laura Dawson, Christopher Sands, and Duncan Wood examine the evolution of the NAFTA and provide a blueprint for deepening trilateral integration. This includes a host of recommendations dealing with harmonized regional trade policy, regulatory alignment, border and infrastructure, as well as human capital and energy. As far as a regulatory strategy goes, the paper called for the [U.S.-Canada Regulatory Cooperation Council](#) and the [U.S.-Mexico High-Level Regulatory Cooperation Council](#) to be coordinated within a trilateral framework. In the area of border security and efficiency, it also recommended that Mexico be included in the [U.S.-Canada Beyond the Border initiative](#).

The report stated that, “North America’s future demands deeper integration of our economies and streamlined cross-border processes. Essential elements in ensuring long-term competitiveness include infrastructure spending, energy cooperation, investing in human capital formation, increasing labor mobility and labor market flexibility, regulatory cooperation and more efficient border management.”

When it comes to further advancing North American integration, the extensive policy paper reinforced the message that, “Trilateralism is about the long game. Bilateralism may move faster but cannot move as far.” It also stressed now that, “NAFTA has been institutionalized, it is sustained by working-level incrementalism, and its benefits are eroding. It is time for a new leap of faith.”

With respects to a shared [North American Vision](#), Laura Dawson described how, “A window of opportunity for important policy change is rare and actions involving multiple governments, interests and stakeholders are difficult. I am convinced that it is time for action and that it will be a long while before there is a similar convergence of opportunity and interest.” The report that Dawson helped put together concluded that, “the biggest impediment to progress is a lack of political leadership.” That is why many who are pushing this agenda are hoping that the upcoming North American Leaders Summit will help revive the NAFTA spirit and be used as launching pad for greater trilateral collaboration.

After 20 years of NAFTA, there is a growing sense from proponents of the deal that the time is right to take new steps towards North American economic integration. Beyond all those who view NAFTA as a success, there is a dark side and a legacy of broken promises. When NAFTA was introduced, it represented the architecture for a new international system. It became the template for future trade agreements which have been used to promote even greater corporate control. The TPP negotiations which are currently underway would expand the failed NAFTA model to even more countries. Furthermore, with the U.S., Canada and Mexico all a part of the massive trade talks, it also provides an opportunity to upgrade NAFTA without having to reopen it.

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