

To be published in North American Political Economy: Forever Bonded?, edited by Imtiaz Hussain (Mexico City, Universidad Iberoamericana, forthcoming 2007).

North America: A Partial Eclipse and a Future Community

Robert A. Pastor
Director, Center for North American Studies,
Professor of International Relations
American University

Bureaucrats know the syndrome all too well: the urgent eclipses the important. Crises distract governments from addressing the long-term agenda. Just a few days after Mexican President Vicente Fox presented an ambitious North American agenda to President George W. Bush on a state visit to the United States in September 2001, nineteen individuals hijacked four planes and used them as weapons to strike the World Trade Towers and the Pentagon. Before President Bush could decide how to respond to Fox's agenda, the collective mind of his Administration was compelled to focus on the war on terror to the exclusion of virtually all else.

North America did not disappear. That is impossible. The region is the largest free-trade area in the world in terms of gross product and territory. Both Canada and Mexico are too important to the United States – economically, socially, and security-wise, particularly because of the new war on terror – to permit the United States to forget its neighbors. Still, the issues on the North American agenda – both chronic trade and immigration problems and future opportunities – were partially eclipsed by the war on terror, and relations among the three countries deteriorated. In March 2006, President George W. Bush met with President Vicente Fox and Prime Minister Stephen Harper in Cancun. The three leaders acknowledged the symbolic priority of North America by reviewing the “Security and Prosperity Partnership” (SPP), but that agenda was too timid and the results too meager to build on the foundation constructed twelve years before when the North American Free Trade Agreement (NAFTA) came into effect.

Before assessing the state of North America and its prospects, let us first examine the emergence, evolution, and characteristics of the region.

The Emergence and Evolution of North America

In 1990, when Mexico's President Carlos Salinas proposed a free trade agreement with the United States, the gross domestic product of the United States was about twenty times larger than Mexico's and ten times larger than Canada's. Asymmetry, whether in size of the economy or power of the military, is the defining characteristic of the relationship of North America's three states, and history has reinforced this imbalance. In contrast to Europe where its catastrophic wars propelled its post-World War II leaders to unify, North America has been divided by its history and, more precisely, by its memory of nineteenth century conflicts.

‘Americans do not know, but Canadians cannot forget,’ writes Seymour Martin Lipset, ‘that two nations, not one, came out of the American Revolution.’ America emerged confident and proud of its revolution, and Canada defined itself to a considerable extent as ‘that part of British North America that did not support the [American] Revolution’ (Lipset, 1991). In 1812, the United States tried, but failed, to annex Canada, and the fear that the formidable Union army in 1865 might trek north to try again to expel the British was the principal reason why Canadians sought independence, and why the British accepted it in the form of Dominion in 1867 within the British Empire. (Both judged correctly that the United States was less likely to make war against an independent Canada) (Howlett, Netherton and Ramesh, 1999).

Canadians remained wary of a close relationship with the United States. In 1911, the Canadian Prime Minister lost an election for concluding a free trade agreement with the United States. Thirty-seven years later, Prime Minister William Lyon McKenzie King refused, at the last minute, to approve a freer trade agreement with the United States, evidently fearing a similar political result.

Having lost its war and one-third of its territory in the nineteenth century and having suffered several military interventions in the early twentieth century, Mexico’s distrust of the United States was deeper than Canada’s. Because it has been less stable, prosperous, and democratic, Mexico also bears a heavier sense of inferiority. For this reason, any proposal from the United States to reduce trade or investment barriers was usually met with a curt rejection when officials deigned to respond.¹

The rationale for a more distant relationship with the United States was most clearly articulated by a young intellectual in the 1980s. ‘In the case of two nations as disparate in size, power, and wealth as Mexico and the United States,’ wrote Jorge G. Castañeda, ‘the weight of economic superiority can be crushing and can lead to a permanent loss of significant attributes of sovereignty and cultural identity.’ Castañeda, who would become Mexico’s Foreign Minister during the first two years of the Vicente Fox Administration (2000-02), then felt that integration could lead to ‘political subservience in foreign policy and domestic affairs, as well as a progressive fading of the country’s heretofore vigorous cultural personality.’ Mexico, he feared, could become ‘less Mexican,’ and so the best foreign policy was to keep Washington at arms’ length (Pastor and Castañeda, 1988).

Given the history and the imbalance in power, perhaps the only way to have reached a North American Free Trade Agreement was for America’s neighbors to lead. And, of course, that is what occurred, starting in the mid-1980s by Canada. In the 1970s, the Liberal Party under Pierre Trudeau had given Canadian nationalism an edge that made many Canadians proud and others, very uneasy. New laws promoted by Trudeau discouraged foreign investment and raised tensions with the United States, and when a deep recession struck Canada in 1982, businesses realized that the Canadian market was not large enough to permit them to grow. Michael Hart, a Canadian scholar and trade negotiator, wrote: ‘They [Canadian businessmen] wanted to become more export-oriented, but were reluctant to make the necessary investment in the face of continued trouble in the Canada-U.S. relationship’ (Hart, 1988, 168). In 1984, a national election brought the Progressive Conservative Party under Brian Mulroney to power with a large majority. Although his party had also opposed free trade with the United States, Mulroney recognized a change in

the public mood in favor of experimenting with more open trade with the United States. President Ronald Reagan responded positively, and both governments negotiated and signed a free trade agreement in 1988 (Wonnacott, 1987; Schott and Smith, 1988). In the same year, Mulroney called an election, and the free trade agreement was heatedly debated with the Liberals strongly opposed. Mulroney won re-election but by a narrower margin. The reversal on free trade by Mexico and its President Carlos Salinas was even more startling than Mulroney's. Mexico had a history of defensive nationalism, particularly aimed at its neighbor, that was always more strident than Canada's. In the mid-1970s and the early 1980s, Mexico sharply restricted foreign investment and increased the state's role in the economy. When the debt crisis threatened to bankrupt the country in 1982, its leaders reassessed their development strategy and embarked on an export-oriented policy. The government imposed fiscal discipline, sharply reduced tariffs and limitations on foreign investment, and privatized state corporations.

When Salinas took office in December 1988, he understood that the success of the Mexican economy depended on whether it could attract large sums of private investment. He went first to Western Europe, but found the governments focused on helping Eastern Europe after the end of the Cold War. He went next to Japan, but found them very cautious about challenging the U.S. in its neighborhood. He pondered his next step, realizing that the opening of Mexico's economy in the previous five years had left it vulnerable to arbitrary acts of protectionism by the United States, and that the Canadian Free Trade Agreement, which had just been concluded, had addressed that concern. He therefore turned to Washington for a free trade agreement and for the key that would presumably unlock the door of foreign investment.²

NAFTA became the first draft of a constitution of North America, but it was defined in very narrow and business-like terms. It aimed to eliminate all trade and investment barriers and level the playing field on procurement, telecommunications, banking, services and other sectors.³ To secure the market, the three governments created a state-of-the-art dispute-settlement mechanism. Instead of trying to establish an institution for negotiating the reduction or harmonization of policies, as the EU did, NAFTA selected a few sectors and harmonized the policies. The agreement was a minimum one that reflected the Canadian and Mexican fear of being dominated by the U.S. and the U.S. antipathy toward bureaucracy and supra-national organizations. It was an 'invisible hand,' classical liberal framework whose principal shared goal was the elimination of impediments to trade.

There is a vast literature on the consequences of NAFTA which reflects to a certain extent the debate that preceded it.⁴ In an astute review of the debate on NAFTA, Sidney Weintraub shows that many of the arguments of both advocates and opponents use similar criteria – related to the balance of payments or the gain and loss of jobs. Weintraub argues persuasively that these criteria are misleading and that a more useful assessment of NAFTA's progress would be based on its effect on total trade, productivity, intra-industry specialization, industrial competitiveness, environmental effects, and institution-building (Weintraub, 1997, chapter 2).

With regard to NAFTA's principal goals on trade and investment, the agreement has been a resounding success. In 1993, Mexican tariffs averaged about 10 per cent, 2.5 times those of the United States. By 1999, Mexican tariffs fell to 2 per cent while import licensing and

other non-tariff barriers were eliminated. Today, nearly all goods traded between the U.S., Mexico, and Canada now enter duty-free. Agricultural products are the most sensitive and thus freer trade in this area is delayed until 2008.

As barriers declined, trade and investment soared in all three directions. U.S. exports to Mexico increased fourfold, from \$28 billion to \$111 billion, and exports to Canada more than doubled, from \$84 billion to \$179 billion. Annual flows of U.S. direct investment to Mexico, went from \$1.3 billion in 1992 to \$15 billion in 2001. U.S. investment in Canada increased from \$2 billion in 1994 to \$16 billion in 2000, while Canadian investment flows to the U.S. grew from \$4.6 billion to \$27 billion over the same period. More than 36 per cent of the total energy imports of the United States now come from its two neighbors. Travel and immigration among the three countries also increased dramatically. In 2000 alone, people crossed the two borders 500 million times. But the most profound impact came from those people who crossed and stayed. The 2000 census estimated that there were 22 million people of Mexican origin living in the United States. Nearly two-thirds of them have arrived in the last two decades. As many as 600,000 Americans living in Canada were eligible to vote in the 2004 U.S. election - more than those voting in six U.S. states.⁵

Intra-regional exports as a percentage of total exports - an index of integration - climbed from around 30 per cent in 1982 to 58 per cent in 2002. As in the auto industry - which makes up nearly 40 per cent of North American trade - much of this exchange is either intra-industry or intra-firm - two other indicators of an increasingly integrated economy. Many industries and firms have become truly North American.

There are still other signs of an increasingly integrated community. After seventy-five years of single party rule in Mexico, in the year 2000, a highly professional electoral service, trained in part by Canadian election officials, conducted an election that was very closely contested. The result was an unprecedented acceptance of the process and outcome by all Mexican parties and the international community and a peaceful transfer of power. Indeed, the Mexican election was much more effectively administered than the one in the United States in the same year.⁶

The signatories of NAFTA deliberately wanted to avoid establishing any bureaucratic or supra-national institutions. The core of the agreement was therefore self-executing or designed to be implemented by *each* government. With regard to the dispute-settlement mechanism, William Davey, a Canadian scholar, concluded that it 'worked reasonably well ... the basic goal of trade dispute settlement ... is to enforce the agreed-upon rules. By and large, these dispute settlement mechanisms have done that' (Davey, 1996, 288-289).

Both the Commission for Labor Cooperation (CLC) and the Commission for Environmental Cooperation (CEC) provide citizens, corporations, unions, and non-governmental organizations an avenue for presenting their complaints. In the case of the labor agreement, since 1994, the Commission received 23 complaints - 14 were directed against Mexico, seven against the United States, and two against Canada.⁷ Both Commissions have done some useful work, and non-governmental organizations from the United States and Canada have helped their counterparts in Mexico to develop and pursue complaints. Both Commissions reflect the caution of their governments. No one has criticized them for being too aggressive or trying to forge common responses on difficult

questions such as pollution on the border or labor rights in the apparel industry. Nonetheless, Mexico's environmental standards and capacity has actually improved faster than the U.S. or Canada, not surprising given the initial level, but encouraging nonetheless.

Another institution established under NAFTA was the North American Development Bank (NADBank), which has channeled funds into the border area to improve the environment. On a parallel track, the United States and Mexico negotiated the establishment of a Border Environment Cooperation Commission (BECC) to assist border states and local communities to design and coordinate environmental infrastructure projects. The BECC, based in Ciudad Juarez, Chihuahua, involves local communities in the development of projects and then seeks financing from the private sector and NADBank, which is based in San Antonio, Texas. Mexico and the United States have each contributed \$225 million of paid-in capital, which gives the bank a lending capacity of \$2 billion. The combination of chronic poverty and rapid urbanization and industrialization on the border have created a multiplicity of health problems, involving water and waste treatment, solid and toxic wastes, and air pollution. The two institutions were very slow in getting organized, but by 2000, 29 projects had begun or been completed.

During the past decade, Mexico changed from an oil-dependent economy to an urban one based on manufactured exports. The impact on Canada was also quite pronounced. NAFTA deepened Canada's dependence on the U.S. market, but it also helped diversify and internationalize its economy. Canada's trade as a percentage of its GDP expanded from 52.4 per cent in 1990 to 74.2 per cent in 1999 - making it the most trade-oriented country in the G-7/8.⁸

As for the United States, its total trade as a per cent of GDP increased by 25 percent during the 1990s. Given the size of the U.S. economy and the rapid growth of jobs in the 1990s, those who predicted substantial job loss were wrong. While Mexico and Canada grew more dependent on the United States - up to 90 per cent of its trade and with exports accounting for 35 per cent of its GDP - the United States also grew more dependent on its two neighbors. More than one-third of the total trade of the U.S. is now with its two neighbors. More broadly, many firms became continental and more competitive.

An evaluation of NAFTA should not be confined just to trade and investment criteria or the side agreements. One needs to view NAFTA as the center of a unique social and economic integration process and of an effort to redefine the relationship between advanced countries and a developing one.

The flow of people, cultures, food, music, and sports across the two borders have accelerated even more than the trade in goods and services. In 1996, the first destination for most American tourists abroad was Mexico; 20 million Americans went. The second most popular destination for American tourists was Canada; 13 million travelled there. In 2003, the same pattern held, although fewer Americans travelled abroad - only 15.8 million to Mexico. Of the millions of tourists, who visit the United States each year, the vast majority (20 million) come from Canada. The second source is Mexico (7.5 million in 1996 and 10 million in 2003).⁹

The increase in numbers of immigrants understates their social impact. While the overall population of the United States grew by 13.2 per cent in the last decade of the twentieth century, the Hispanic population increased 57.9 per cent (from 22.4 million to 35.3 million) and of Mexicans, by 52.9 per cent (from 13.5 million to 20.6 million). About 30 per cent of the immigrants living in the United States today are from Mexico.¹⁰ While half of all Hispanics live in California and Texas, during the past decade, the Hispanic population in Oregon doubled; in Minnesota, tripled; in Georgia, quadrupled; and in North Carolina, quintupled.¹¹

Remittances have played an increasingly important role in the relationship between Mexicans in the United States and their relatives. The most recent Mexican government report estimates that Mexican workers send their families about \$17 million a day, and in 2000, that amounted to \$6.2 billion - in the last decade, \$45 billion.¹² A recent survey found that 61 per cent of Mexicans had relatives living outside the country, mostly in the United States, and 21 per cent received remittances from family members working in the United States.¹³

The outlines of a new North America are now visible, and one sign is the growing literature on the future agenda for the region - aimed more on what NAFTA omitted than what it contained. President Vicente Fox pressed that agenda most vigorously at the governmental-level, but the Canadian Parliament, Research Institutes, and many American scholars have raised issues and made specific proposals on where North America should go from here.¹⁴

The Second Decade Agenda

Since the North American Free Trade Agreement (NAFTA) began to dismantle barriers twelve years ago, trade and investment has nearly tripled among the three countries of North America. Today, the first and second most important trading partners of the US and its two largest sources of energy imports are Canada and Mexico. In fact, the United States exports nearly twice as much to our two neighbors as it does to the 25-nation European Union, and nearly three times more than to Japan and China. North America, in brief, is no longer just a geographical expression. It has become the largest free-trade area in the world in gross product and territory. Today, people cross the two borders nearly 500 million times each year, and although the U.S. receives immigrants from almost every country, about 25 percent come from Mexico alone.

NAFTA succeeded in expanding trade. It failed because that was not enough. NAFTA was silent on the development gap separating Mexico and its two northern neighbors, and that gap has widened. It omitted immigration, and the number of undocumented Mexican workers in the United States leaped from about 1 to 6 million in the last decade. It didn't plan for market failures, such as the Mexican peso crisis, or even for success, for example, by building new roads and border crossings for additional traffic. Finally, North America has no credible institutions, and so on September 11, 2001, instead of forging a common response to terror, each country reverted to its habitual posture, with the United States acted unilaterally, virtually closing its borders, and Canada and Mexico retreating to their usual ambivalence.

Some proponents of NAFTA argued erroneously that free trade would reduce the flow of migrants, but the opposite happened because the development strategy implicit in NAFTA

encourages foreign investment near the border, which serves as a magnet to attract labor from the center and the south of Mexico. Surveys suggest that roughly 90 percent of all Mexican illegal migrants leave jobs to come to the United States; they seek higher wages. Illegal migration is unlikely to shrink until the income gap begins to narrow. Congress has proposed fences, guest worker programs, more border patrol, and amnesty, but none of these bills will solve the problem, and most would make it worse. Even if the House bill married the McCain-Kennedy bill, businesses are unlikely to advertise the jobs for Americans; undocumented workers are unlikely to come forward, pay a fine, and return home if Americans are hired, and the documents will be no better than before. Guest worker programs will not work as long as the flow of undocumented workers continues. In brief, the bills will be ineffective except in offending our friends.

The immigration issue is immensely complicated because illegal immigration – unlike legal migration - is in the short-term interest of many, but in no one’s long-term interest. It is in the short-term interest of the undocumented workers’ need for higher income, but it is not in their long-term interest to be exploited. It is in the short-term interest of Mexico’s need to have an “escape valve,” but not at the price of making families in the center and the south of Mexico more dependent on remittances. The overall U.S. economy benefits from Mexicans who work harder for less, but the country is harmed by not respecting the law, by offering unfair competition to unskilled Americans, and by provoking bouts of xenophobia.

In Cancun, President Bush pledged to continue working for a “comprehensive” immigration bill, and the three leaders agreed to a five-part agenda. They repeated their intention to have a “smart, secure border” and encourage “energy security,” but they put forward no new proposals for either one. They proposed greater cooperation for “emergency management” and to respond to a pandemic. Finally, they proposed a Competitiveness Council composed of CEOs from the largest corporations as the way to address problems of divergent regulations.

North America needs a strategy for reducing inefficient or unnecessary differences in regulations, but this should be done by a group representing a wider spectrum of interests than just the CEOs, whose principal goal might be simply to eliminate pesky regulations that affect their business. Regrettably, the three leaders did not face up to the wider agenda; nor did they propose any bold initiative. Perhaps, they are still fearful of re-opening a debate on NAFTA. Perhaps they felt their own political positions were too weak to move forward serious proposals. Whatever the reason, the sad truth is that Cancun was largely a photo-opportunity, and progress still seems to be measured by the number of bureaucratic meetings rather than the improvement in people’s welfare. What should be done?

Forging a North American Community

It is time to stop debating NAFTA and start addressing North America’s new agenda. We need to begin by articulating a vision of a **North American Community** where each state recognizes that instability or recession in one affects the others, and each benefit from the others’ success. When the value of a neighbor’s house rises, this has a positive effect on the other homes. Transforming that vision into programs requires leadership, a plan, resources, and institutions.

The paramount challenge for North America is to close the income gap separating Mexico from its northern neighbors. The European Union demonstrated this could be done. From 1986-2003, the per capita GDP of the four poorest countries of the EU – Spain, Portugal, Greece, and Ireland - rose from 65% of the EU average to 82%. About half of the \$500 billion was spent poorly, but the investment in communications and roads that connected these countries to the richer markets worked. Spain received \$120 billion and spent much of it on new roads that carried goods north and tourists south. Spanish immigration almost ceased. Ireland became the second richest country, and for the first time in its history is receiving immigrants rather than sending them.

North America is different from Europe, but it should learn from the experience, and establish a **North American Investment Fund** that would invest \$20 billion per year for a decade to build roads to connect the south and center of Mexico to the United States. Mexico should provide half of the funds; the U.S., 40%, and Canada, 10%. The funds should be administered by the World Bank. To make best use of these resources, Mexico needs also to undertake fiscal, energy, electricity, and labor reforms. However, instead of making the aid conditional or waiting for Mexico to do the reforms, the three leaders should decide how each would contribute to the community's goal of narrowing the gap. This approach could give Mexico the leverage to undertake the reforms.

The North American Investment Fund would spend less than half as much as Europe did in half the time, but coupled with comprehensive reforms, it could propel Mexico's economy forward. The U.S. contribution over ten years would be about one-third of what it has spent in Iraq in the last three years, but in this case the U.S. economy would benefit. This fund won't end illegal migration overnight or even in 10 years, but unless something is done to reduce the income gap, illegal migration will increase. If Mexico grows at twice the rate of the U.S. and Canada, as would occur under this plan, the gap will close by 20 percent in a decade, and Mexicans will begin to think about their future in Mexico rather than plan for their exit north.

A community approach to narrowing the income gap would yield dividends in other areas. In a post-9/11 world, the best way to assure the security of North America is not at our borders with Canada and Mexico and not by defining "security" solely by fences, but rather by forging a consensus with our neighbors to build a **North American Security Perimeter**. Canadian, Mexican, and US officials would work together on the same team, sharing intelligence and using the same procedures and exclusion lists at every port of entry. This would supplement, not eliminate existing border protection.

To compete against China and India, the three leaders need to help North American businesses to become more efficient by negotiating a Customs Union in five years. This would eliminate costly "rules of origin" procedures and needless inspections, allowing officials to focus on drugs, terrorism, and illegal migration. The governments should also stop imposing trade sanctions on each other, and they should establish a North American Regulatory Commission to promote shared goals in health, the environment, and working conditions, while eliminating unnecessary regulatory differences. Such rules bar Americans from buying pharmaceutical products in Canada even if they're made in the United States.

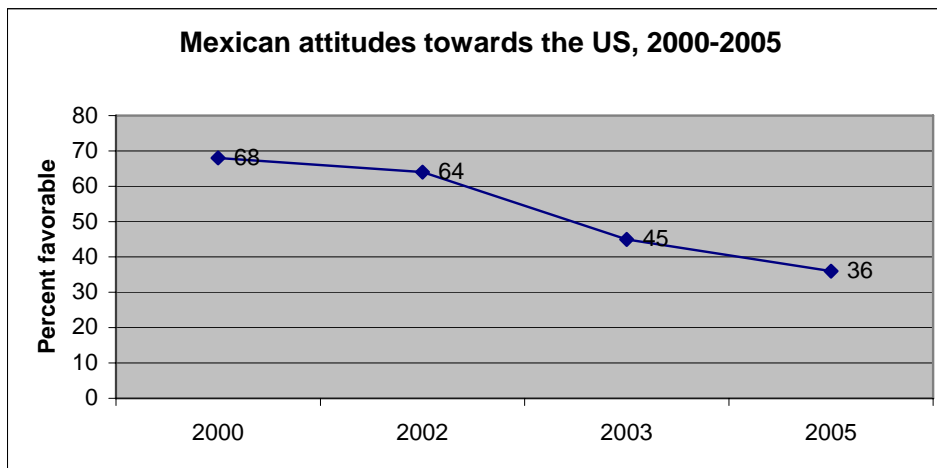
Incredibly, the three leaders have never asked their Transportation Ministers to

develop a continental plan for Transportation and Infrastructure, and we all pay a price for that oversight. Indeed, trucks still cannot cross the U.S.-Mexican border in either direction. When I asked a senior Mexican government official as to why this is the case, he answered that neither the U.S. nor the Mexican trucking industry wanted trucks to cross the border. I asked whether the Presidents of the United States and Mexico represent the trucking industries or the national interests. If the latter, then they should know that the cost of moving a truck container across the Canadian border is \$19 while it is \$300 to cross the U.S.-Mexican border, according to Eugenio Clariond Reyes, Chief Executive of Monterrey-based Grupo Imsa.

The three leaders should hold annual summits, but to make sure the meetings are not just photo-ops, a North American Advisory Council should be established. Unlike Europe's Commission, the Council should be lean, independent, and advisory. It should prepare the agenda with proposals on North American transportation, the environment, education, and other issues. The Europeans provide about \$3 million each year to support 10 EU Centers in the U.S., but the three governments of North America provide no support for North American studies anywhere.

The Prospects for a Community

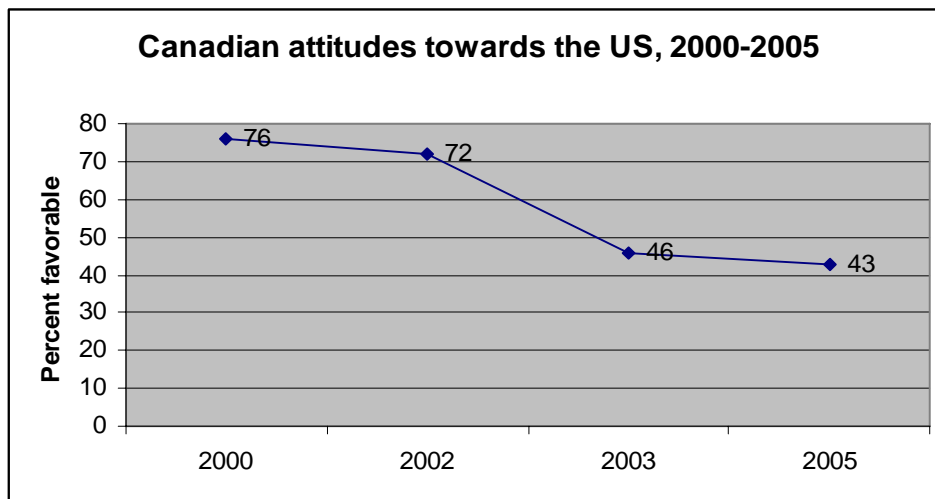
President Bush's election in 2000 raised expectations that the former Texas Governor would give priority to Mexico and Canada, and this was underscored by his first foreign visit, which was to President Fox's ranch in Guanajuato. There, Presidents Bush and Fox pledged to consult with their Canadian counterpart and seek a North American economic community. They made almost no progress toward that goal. Indeed, relations have deteriorated, as the two sets of polls below show. Between 2000 and 2005, the percentage of Mexicans and Canadians with a favorable view of the United States declined roughly by half. Why?



Q: "In general, would you describe your opinion of the United States as favorable or unfavorable?"

Sources: For 2000 and 2002 data: Pew Research Center (2002), *What The World Thinks In 2002: How Global Publics View: Their Lives, Their Countries, The World, America*. Available at: <http://people-press.org/reports/pdf/165.pdf>; for 2003 and 2005 data: Ekos (2005). *Wave 1 – General Public Survey: Canada, the U.S. and Mexico*. Available at: www.consejomexicano.org/download.php?id=850202,668,2.

Despite the obvious differences between Canada and Mexico, the pattern of each country's relationship with the United States is quite similar, and the polls are a symptom. Canadian and Mexican disenchantment is due to their feeling that the United States is either indifferent or unwilling to take their views seriously or to comply with agreements if it does not serve our immediate purpose. Despite pledges by Presidents Clinton and Bush to resolve long-standing problems like trucking with Mexico and softwood lumber with Canada, these problems continue to fester. Although President Bush promised President Fox in February 2001 to address the immigration issue, it continues to corrode our relations. The disagreement among the three governments on the war in Iraq could have been an opportunity for the United States to demonstrate that close relations do not require agreement on every issue, but the opposite occurred.



Q: "In general, would you describe your opinion of the United States as favorable or unfavorable?" Sources: For 2000 and 2002 data: Pew Research Center (2002), *What The World Thinks In 2002: How Global Publics View: Their Lives, Their Countries, The World, America*. Available at: <http://people-press.org/reports/pdf/165.pdf>; for 2003 and 2005 data: Ekos (2005). *Wave 1 – General Public Survey: Canada, the U.S. and Mexico*. Available at: www.consejomexicano.org/download.php?id=850202,668,2.

The root cause of the strained relations is the imbalance in power and the lack of credible continental institutions, but it is also because the U.S. government has never organized itself to address the difficult domestic-continental trade-offs that define North American relations. But if the U.S. does not comply with agreements, it invites similar behavior by our neighbors – e.g., Mexico's Congress is considering changing the "national treatment" of foreign investment – and all will lose from that. The solution requires that we place bilateral relations with both Mexico and Canada in a new North American framework.

There is little prospect that these initiatives would be approved now. The United States is preoccupied by Iraq and embarrassing fiscal and trade deficits; Mexico is headed into national elections; and Canada has a minority government. But the question is not whether

this plan is feasible, but whether it is desirable and will lead to a more secure and competitive North America.

The answer is that there is no investment that will improve the security and yield more economic benefits for the region than one that narrowed the income gap between Mexico and its neighbors. It's time for our leaders to put politics aside and think about the long-term interests of all three countries, and to invest in the future rather than just react to crises. If a North American Investment Fund is not possible at this time, then the leaders should set up a Commission to study the plan and propose a better strategy to achieve its goals. It's time for the three governments to set up a North American Advisory Council and pursue a Customs Union, a Security Perimeter, and a transportation plan.

There is evidence that the people may be in front of their leaders on these issues.

Public Opinion on North America

The most vigorous and eloquent voices in Mexico and Canada have emphasised the sharp differences between their countries and the United States. In Mexico, Carlos Fuentes has been one of a legion of intellectuals, who have criticised the United States for its imperialist pretensions and asserted that Mexico would prefer to be a distant than a close neighbor. In Canada, Stephen Clarkson and Michael Adams have made the parallel case that Canada is different and needs to fortify itself from the inevitable efforts by the United States to control its destiny. Karl Deutsch offered a contrasting view, believing that as states become integrated, they begin to develop a sense of 'community,' which he defined as an assurance 'that they will settle their differences short of war.' In a volume edited by Emanuel Adler and Michael Barnett testing this thesis,¹⁵ Guadalupe Gonzales and Stephan Haggard concluded that the U.S.-Mexican relationship falls short because of a lack of trust and common identity.¹⁶ Sean Shore concludes that the United States and Canada had become a 'community,' and the main reason was that the long (5,000 miles) border was not defended.¹⁷ Of course, the U.S.-Mexican border has been demilitarized almost as long as the U.S.-Canadian border, so other factors must explain the difference, if there is one. Unfortunately, these studies and others that emphasize cultural differences omit one key variable, public opinion, and when these are included, one can discern the outline of an emerging North American identity and community.

Under the direction of Ronald Inglehart of the University of Michigan, scholars conducted surveys evaluating the values and attitudes of people in about 44 countries. Miguel Basanez of Mexico and Neil Nevitte of Canada joined Inglehart to survey the three countries of North America in 1981, 1990, and 2000. Instead of documenting cultural differences, they found a convergence of values among the people in the three countries in twelve of 16 key domains. For example, people in all three countries increasingly emphasise independence and imagination in child rearing; there is less support for state ownership of industry, and national pride is waning; church attendance rates are falling; respect for authority is declining. This last point is particularly significant because Canadians had long been viewed as having a 'culture of deference.'¹⁸ Mexico's long-standing political authoritarianism had led many scholars to describe a corrupt political culture, but Mexico moved to democracy in the last decade.¹⁹

Indeed, there was not just a convergence in North America toward similar values, but also toward basic public policies. In all three countries, there was movement toward political liberalization, a market-based, regulatory economic policy, and more respect for the rights of minorities and indigenous peoples. The larger point is that civic culture and the policies converged. ‘North Americans,’ Basanez and Nevitte concluded, ‘have become significantly more alike’.²⁰

Up until the last few years, surveys in each of the three countries found the public with very positive views of each other. The Chicago Council on Foreign Relations has been doing public opinion surveys on American views of the world every four years since 1974. One of the questions measures ‘favorability’ – the warmth that Americans feel toward other countries. During most of the past twenty-five years, Americans gave Canada the highest ‘favorability’ rating among all nations. The U.S. view of Mexico is also very positive, just below that of Canada and Great Britain and on roughly the same level as leading countries in Europe (Italy, Germany and France).

Again, until the Bush Administration, roughly three-fourths of all Mexicans hold a positive view of the United States (almost the same percentage of Americans with a positive view of Mexico). More than 80 per cent of Mexicans believe that the United States exercises the most influence on their country, but rather surprisingly, 67 per cent of Mexicans view U.S. influence as positive, a marked difference from the way that the elite had long portrayed the Mexican public’s views.²¹

Canadians also have warm feelings about the United States, although not quite as warm as Americans have towards them. For example, in a 1999 survey in Canada, 49 per cent of Canadians viewed Americans as similar to themselves, whereas 71 per cent of Americans viewed Canada as similar.²² Many Canadians feel that Americans take them for granted or are arrogant, but the more telling point is that 26 per cent of the Canadian public would become U.S. citizens if they could, and 25 per cent of the American public expressed a similar preference for Canadian citizenship.²³

So, in brief, not only are the three countries of North America more alike today than ever before, but their people like each other more than before or than most other countries. In addition, the percentage of the public that identified themselves as ‘North American’ doubled during the 1980s, although that was only from two to four per cent.²⁴ One possible explanation for the shift is the arrival of a more cosmopolitan generation.²⁵

Public attitudes towards NAFTA in the three countries in the past decade have changed, but today, there is a modest net support in all three countries. There is also a neat consensus: each nation agrees that the others have benefited more than it has.²⁶

In the 1990 world values survey, about one-fourth of the Canadian and Mexican population were in favor of erasing the border with the United States, and nearly half (46 per cent) of Americans favored eliminating the border with Canada.²⁷ In 2000, a survey of American attitudes found Americans still evenly divided about doing away with the Mexican border. The Mexicans agree with the Americans on this issue. Fifty-five per cent of Mexicans oppose doing away with the border with the United States, and only 36 per cent favor it.²⁸

When Mexicans, Canadians, or Americans are asked whether they are prepared to give up their cultural identity in order to form one state or a union, all overwhelmingly reject the proposition. *But when the question is asked whether they would be prepared to form a single country if that would mean a higher quality of life for their country, a majority of the people in all three countries answer affirmatively.*²⁹

Forty-three per cent of Canadian think it ‘would be a *good thing* to be part of a North American Union in ten years,’ and only 27 percent think it would be a bad thing. Moreover, *nearly one-half (49 per cent) think North American Union is likely to happen.* As with the Mexicans, Canadians are much more willing to contemplate a union in a new North American entity than to be part of the United States. A majority (57 percent) would oppose joining the United States while only 23 percent would consider it.³⁰ When asked whether Canada and the United States should have a common currency, the Canadian public split – 45 per cent in favor, and 44 per cent opposed.³¹ This suggests that Canadians are much further along than their leaders in thinking about some of the practical, but sensitive, questions of integration.

For the American public, a relatively higher percentage favor continental political union than is true of Mexicans and Canadians. Support for union soars when the contingency options – e.g., if that would mean a better quality of life, etc. – are included. *In 1990, 81 per cent of Americans said they would favor forming one country with Canada if it meant a better quality of life, and 79 per cent agreed if it meant the environment would get better.*³² These numbers declined a bit in 2000 but remained relatively high – 63 per cent approved of forming one country if it would improve the quality of life, and 48 per cent if the environment would get better – but they remained high.³³ When one disaggregates the data, younger and wealthier Americans are readier to contemplate political union than older or poorer citizens.³⁴

What should one conclude from this data? *First, the majority of the people in all three countries are prepared to contemplate a reconfiguration of the North American political system provided they can be convinced that it will produce a higher quality of life and handle problems – like the environment – more effectively than if these are done by each country. Secondly, the principal motive is economic, the approach is pragmatic, and the main drawback is the fear of its effect on culture and identity. To the extent that people perceive their cultures at risk, they resist integration. Third, younger people are more connected and ready to experiment with new political forms and so the prospects for future integration are likely to get better. Fourth, as Karl Deutsch predicted a half century ago, more contact and trust among peoples can facilitate integration, which, in turn, can increase trust. In disaggregating the data on a regional basis, one finds greater support for integration among those regions with the most contact - i.e., the southwest of the United States and the northern part of Mexico and on the Canadian border.*³⁵

The underlying basis of a community exists. Provided people are not threatened by a loss of culture or identity, and incentives for productivity and improvements for standard of living are evident, the three peoples of North America are ready to listen to ideas, including political union, on how to accomplish those ends.

A North American Community is an idea so compelling that it will, sooner or later, emerge as a frontier issue. It awaits leaders to begin the journey toward transforming it into plans

and institutions that can redefine the possible. Bush, Fox, and Harper failed to seize the opportunity of Cancun, but there will be many more opportunities in the future.

There are three good reasons to build a North American Community – to compete better in world commerce, to secure ourselves from external threats, and to develop a model that would inspire those seeking to reduce the disparities between rich and poor countries.



Robert A. Pastor is *Director of the Center for North American Studies, Vice President of International Affairs and Professor of International Relations at American University (AU)*. The Center for North American Studies, which he established in 2002, offers an undergraduate minor, a graduate certificate, and a “Summer Institute” for students from Mexico, Canada, and the United States. The Center sponsors research on continental issues and challenges students and faculty to imagine a continental future. From 1985 until September 2002, Dr. Pastor was Professor at Emory University and Fellow and Founding

Director of the Latin American Program & the Democracy Project at The Carter Center. He was Director of Latin American and Caribbean Affairs on the National Security Council (1977-81), consultant to the State and Defense Departments, and was nominated Ambassador to Panama in 1994. Dr. Pastor was a Fulbright Professor at El Colegio de Mexico (1985-6) and a Visiting Professor at Harvard University (1998-9), where he had received his M.P.A. at the Kennedy School of Government and a Ph.D. in Government. He was the Executive Director of the Commission on Federal Election Reform co-chaired by President Jimmy Carter and James A. Baker, III. He is the author or editor of sixteen books, including *Toward a North American Community: Lessons from the Old World for the New* (Institute of International Economics, 2001); *Exiting the Whirlpool: US Foreign Policy Toward Latin America and the Caribbean* (Westview, 2002); and *Democracy and Elections in North America: What Can We Learn From Our Neighbors?* Election Law Journal (2004).

ENDNOTES

¹ In the 1970s, the Carter Administration proposed a number of possible agreements to minimise trade disputes, and Ronald Reagan, during his campaign and his Administration, also proposed a 'North American Accord,' a free trade agreement.

² This summary of Carlos Salinas' views on trade is derived from numerous interviews that the author had with Salinas from 1979 through 1994 and particularly during the period, 1989-92, when his views on NAFTA took shape.

³ For a description and preliminary analysis of NAFTA, see Pastor, R.A. *Integration with Mexico: Options for U.S. Policy* (Washington, D.C.: Twentieth Century Fund, 1993); and see Hufbauer, G.C. and Schott, J.J. *NAFTA Revisited: Achievements and Challenges* (Washington, D.C.: Institute for International Economics, 2005).

⁴ For a review of that literature, see Pastor, R.A. *Toward a North American Community: Lessons from the Old World for the New* (Washington, D.C.: Institute for International Economics, 2001), Chapter 4. For an excellent assessment of the original agreement, see Hufbauer and Schott *NAFTA: An Assessment*; Grayson, G. *The North American Free Trade Agreement: Regional Community and the New World Order* (Lanham, Md.: University Press of America, 1995); Orme, Jr., W.A. *Understanding NAFTA* (Austin: University of Texas Press, 1996).

⁵ Tara Brautigam, "As Many As 600,000 American Living in Canada Eligible to Vote in U.S. Election," Canadian Press (Canada.Com News), October 18, 2004.

⁶ For a detailed analysis of the electoral systems in the three countries and the ways in which each has and can learn from each other, see Pastor, R.A. symposium editor, 'Democracy and Elections in North America: What Can We Learn From Our Neighbours?', *Election Law Journal*, Vol. 3, No. 3 (2004).

⁷ For the submissions, see <www.dol.gov/dol/ilab/public/programmes/nao>; also see: <www.naalc.org>

⁸ Department of Foreign Affairs and International Trade of Canada, *Opening Doors to the World: Canada's Market Access Priorities, 1999* (Ottawa, 1999), 1.

⁹ Crosette, B. 'Surprises in the Global Tourist Boom,' *New York Times*, 12 April 1998, IV5; and Fry, E.H. *Canada's Unity Crisis: Implications for U.S.-Canadian Economic Relations* (N.Y.: Twentieth Century Fund Press, 1992), 78; Chicago Council on Foreign Relations, CIDE, and Consejo Mexicano de Asuntos Internacionales, 'Comparing Mexican and American Public Opinion and Foreign Policy,' 2004, 14.

¹⁰ Martin, P. and Midgley, E. 'Immigration: Shaping and Reshaping America,' *Population Bulletin*, Vol. 58, No. 2 (June 2003), Population Reference Bureau, 31.

¹¹ Guzman, B., U.S. Census Bureau, U.S. Department of Commerce, 'The Hispanic Population: Census 2000 Brief,' C2KBR/01-3, May 2001.

¹² 'Remesas de Migrantes Equivalen a 83per cent de la Inversion de EU en Mexico,' *La Jornada*, 30 October 2000. For the more recent estimate, see Ferriss, S. 'An Altered View of Mexican Immigrants.'

¹³ Chicago Council on Foreign Relations, CIDE, and Consejo Mexicano de Asuntos Internacionales, 'Comparing Mexican and American Public Opinion and Foreign Policy,' 2004, 14.

¹⁴ See, for example, Fry, E.H. 'North American Economic Integration: Policy Options,' *Policy Papers on the Americas*, Vol. XIV, Study 8 (Washington, D.C.: Centre for Strategic and International Studies, July 2003); Goldfarb, D. 'Beyond Labels: Comparing Proposals for Closer Canada- US Economic Relations,' *C. D. Howe Institute Backgrounder* (Toronto, October 2003; <www.cdhowe.org>); House of Commons of Canada, *Partners in North America: Advancing Canada's Relations with the United States and Mexico: Report of the Standing Committee on Foreign Affairs and International Trade* (Ottawa, December 2002, www.parl.gc.ca); and Pastor, R.A. 'North America's Second Decade,' *Foreign Affairs*, Vol. 83, No. 1 (January/February 2004).

¹⁵ Adler and Barnett, *Security Communities*, 3, 30.

¹⁶ Gonzalez and Haggard, 'U.S. and Mexico,' *Security Communities*, 295.

¹⁷ Shore, S.M. 'No Fences Make Good Neighbours: The Development of the U.S.- Canadian Security Community, 1871-1940,' in Adler and Barnett (eds) *Security Communities* (Cambridge: Cambridge University Press, 1998), 333-335.

¹⁸ In his important book, *The Decline of Deference* (Ontario: Broadview Press, 1996), Neil Nevitte offers a persuasive critique of the interpretation of Canadians as historically and culturally different, if not opposite, from Americans – a view most effectively developed by Lipset, S.M. *Continental Divide: The Values and Institutions of the United States and Canada* (N.Y.: Routledge, 1991).

¹⁹ The literature on the political culture of authoritarian Mexico is vast, but a good summary is by Cornelius, W.A. 'Politics in Mexico,' in Almond, G.A., Powell, B.Jr., et. al., *Comparative Politics Today* (N.Y.: Longman, 2000). For an analysis of the July 2000 election and its implications for Mexico's political culture, see Pastor, R.A. 'Mexico's Victory: Exiting the Labyrinth,' *Journal of Democracy* (October 2000), Vol. 11, No. 4.

²⁰ Inglehart, R., Nevitte, N. and Basanez, M. *The North American Trajectory: Cultural, Economic, and Political Ties Among the United States, Canada, and Mexico* (New York: Aldine de Gruyter, 1996); and for a summary and update of the argument, see Nevitte

and Basanez, 'Trinational Perceptions,' in Pastor, R.A. and de Castro, R.F. (eds) *The Controversial Pivot: U.S. Congress and North America* (Washington, D.C.: Brookings Institution, 1998), 149 for the quote.

²¹ See Nevitte and Basanez, 'Trinational Perceptions,' for a description of this and other polling, 152-157.

²² Cited in Phillips, A. 'Benign Neglect,' *Maclean's*, 20 December 1999, 25.

²³ *Maclean's*, 20 December 1999.

²⁴ Nevitte, I. and Basanez, *The North American Trajectory*, 158-160. They surveyed attitudes in the three countries in 1981 and 1990 as to the principal geographical unit with which people identified: town, region, nation, North America, and world, and they found 'a consistent pattern: in all three countries, there was a substantial shift from emphasis on the town ... toward the broader geographical units.' One shouldn't exaggerate. Even though, for example, the number of Americans who identified with 'North America' doubled in that period, that only went from 2 to 4 per cent. Still, the shift toward 'nation' was impressive in all three countries – from 20 to 30 per cent in U.S., 30 to 40 per cent in Canada, and 18 to 28 per cent in Mexico.

²⁵ Walsh, J. 'Is a North American Generation Emerging?' *ISUMA/Printemps* (Spring 2000), 86-92.

²⁶ For the US and Mexican views, see the Harris Poll in April/May 1999 (National Journal polltrack); for the Canadian views, see *Maclean's*, 20 December 1999, 42.

²⁷ Nevitte, I. and Basanez, *The North American Trajectory*, 139.

²⁸ Inglehart, R. and Basanez, M. *World Values Survey/ USA and Mexico*, 2000.

²⁹ Inglehart, R. and Basanez, M. *World Values Survey/ USA and Mexico*, 2000.

³⁰ Ekos Resesarch, Canada, 'Shifting Perceptions of Globalisation and the New Economy,' 21 September 2000. Ekos prepared a compilation of surveys. The ones cited were in 1999. [This information is available on the web – <www.ekos.com>]

³¹ *Macleans*, '17th Annual Poll,' 25 December 2000. The 1999 poll by *Macleans* was consistent with that survey, showing 44 per cent of Canadians believing Canada would benefit from a common currency, and 42 per cent believing it would be very costly. In Bruce Wallace, 'What Makes a Canadian?', *Macleans*, 20 December 1999, 36.

³² Inglehart, N., and Basanez, *The North American Trajectory*, see Table 6.2, 146.

³³ Inglehart, R. and Basanez, M. *World Values Survey/ USA and Mexico*, 2000.

³⁴ Nevitte, I. and Basanez, *The North American Trajectory*, 135-148.

³⁵ *Ibid.*, p. 139.

Bibliography

Adler, E. and Barnett, M. (Eds) *Security Communities* (Cambridge: Cambridge University Press, 1998).

Cornelius, W.A. 'Politics in Mexico' in Almond, G.A., Powell, B.Jr., et. al., *Comparative Politics Today* (N.Y.: Longman, 2000).

Davey, W. *Pine and Swine: Canada-United States Trade Dispute Settlement - the FTA Experience and NAFTA Prospects* (Ottawa: Centre for Trade Policy and Law, 1996).

DePalma, A. *Here: A Biography of the New American Continent* (2001).

Fry, E.H. 'North American Economic Integration: Policy Options,' *Policy Papers on the Americas*, Vol. XIV, Study 8 (Washington, D.C.: Centre for Strategic and International Studies, July 2003).

Goldfarb, D. 'Beyond Labels: Comparing Proposals for Closer Canada-US Economic Relations', *C. D. Howe Institute Backgrounder* (Toronto, October 2003; <www.cdhowe.org>).

Grayson, G. *The North American Free Trade Agreement: Regional Community and the New World Order* (Lanham, Md.: University Press of America, 1995).

Hart M. *Fifty Years of Canadian Statecraft: Canada at the GATT, 1947-1997* (Ottawa, Canada: Centre for Trade Policy and Law, Carleton University, 1998).

House of Commons of Canada, *Partners in North America: Advancing Canada's Relations with the United States and Mexico: Report of the Standing Committee on Foreign Affairs and International Trade* (Ottawa, December 2002, <www.parl.gc.ca>).

Howlett, M.; Netherton, A. and Ramesh, M. *The Political Economy of Canada: An Introduction* (New York: Oxford University Press, 2nd edition, 1999).

Hufbauer, G.C. and Schott, J.J. *NAFTA: An Assessment* (Washington, D.C.: Institute for International Economics, 1993, revised edition).

Hufbauder, G. C. and Schott, J.J. *NAFTA Revisited: Achievements and Challenges* (Washington, D.C.: Institute for International Economics, 2005).

Inglehart, R., Nevitte, N. and Basanez, M. *The North American Trajectory: Cultural, Economic, and Political Ties Among the United States, Canada, and Mexico* (New York: Aldine de Gruyter, 1996).

Inter-American Development Bank, Integration and Regional Programmes Department, *Integration and Trade in the Americas: A Preliminary Estimate of 2003 Trade* (Washington, D.C.: Inter-American Development Bank, December 2003, periodic note), Table 3, 5.

Lipset, S.M. *Continental Divide: The Values and Institutions of the United States and Canada* (N.Y.: Routledge, 1991).

Nelsen, B.F. and Stubb, A.C.G (eds) *The European Union: Readings on the Theory and Practice of European Integration* (Boulder: Lynne Rienner Publishers, 2nd edition, 1998), 'Preamble to the Treaty of Rome'.

Nevitte and Basanez 'Trinational Perceptions' in Pastor, R.A. and de Castro, R.F. (eds) *The Controversial Pivot: U.S. Congress and North America* (Washington, D.C.: Brookings Institution, 1998).

Orme, W.A.Jr. *Understanding NAFTA* (Austin: University of Texas Press, 1996).

Pastor, R.A. and Castañeda, J.G. *Limits to Friendship: The United States and Mexico* (N.Y.: Alfred A. Knopf, 1988).

Pastor, R.A. *Integration with Mexico: Options for U.S. Policy* (Washington, D.C.: Twentieth Century Fund, 1993).

Pastor, R.A. 'The United States: Divided by a Revolutionary Vision' in Pastor, R. (ed.) *A Century's Journey: How the Great Powers Shape the World* (N.Y.: Basic Books, 1999).

Pastor, R.A. *Toward a North American Community: Lessons from the Old World for the New* (Washington, D.C.: Institute for International Economics, 2001).

Pastor, R.A. 'North America's Second Decade,' *Foreign Affairs*, Vol. 83, No. 1 (January/February 2004).

Schott, J.J. and Smith, M.G. (eds) *The Canada-United States Free Trade Agreement: The Global Impact* (Washington: Institute for International Economics, 1988).

Weintraub, S. *NAFTA at Three: A Progress Report* (Washington, D.C.: Centre for Strategic and International Studies, 1997).

Wonnacott, P. *The United States and Canada: The Quest for Free Trade* (Washington: Institute for International Economics, 1987).