



Abbreviated Agenda
North American Forum

Fairmont Banff Springs Hotel
Banff, Alberta
September 12-14, 2006

Under the Joint Chairmanship of:

The Hon. George Shultz, Former U.S. Secretary of State
The Hon. Pedro Aspe, Former Finance Minister of Mexico
The Hon. Peter Lougheed, Former Premier of Alberta

Continental Prosperity in the New Security Environment

Tuesday, September 12, 2006

3:00 pm Pre-Registration (Heritage Hall)
5:00 pm Registration (Oval Room)
5:45 pm Opening Reception (The Conservatory)
6:45 pm Dinner & Keynote Address (Cascade Ballroom)

Wednesday, September 13, 2006

(Alhambra Room – Breakfast & Sessions I-IV)

7:30 am Registration & Continental Breakfast
8:15 am Keynote Address
9:00 am Session I: Opening comments by Messrs. Aspe, Lougheed and Shultz
9:30 am Session II: A Vision for North America: Issues and Options
10:45 am Break
11:05 am Session III: Toward a North American Energy Strategy
12:45 pm Break
1:00 pm Lunch & Keynote Address (Cascade Ballroom)
2:30 pm Session IV: Opportunities for Security Cooperation in North America -
Military-Military Cooperation
4:00 pm Break
4:15 pm Session IV: Opportunities for Security Cooperation in North America –
Continued
5:45 pm Break
6:30 pm Reception (The Conservatory)
7:00 pm Dinner & Keynote Address (Cascade Ballroom)

CO-CHAIRMEN • GEORGE P. SHULTZ • PEDRO ASPE • PETER LOUGHEED



Thursday, September 14, 2006

(Alhambra Room)

7:00 am Breakfast & Keynote Address
8:00 am Session V: Demographic and Social Dimensions of North American
Integration
9:30 am Break
9:45 am Session VI: Border Infrastructure and Continental Prosperity
11:00 am Session VII: Roundtable Conversation with the Co-Chairs
12:00 am Adjourn
12:30 am Informal Lunch

CO-CHAIRMEN • GEORGE P. SHULTZ • PEDRO ASPE • PETER LOUGHEED

CANADA WEST FOUNDATION • SUITE 900, 1202 CENTRE STREET SE • CALGARY, AB T1P 1J6
(403) 264-9535 TEL. • (403) 269-4776 FAX



Detailed Agenda

North American Forum

The Fairmont Banff Springs
Banff, Alberta, Canada
September 12-14, 2006

Under the Joint Chairmanship of:

The Hon. George Shultz, Former U.S. Secretary of State
The Hon. Pedro Aspe, Former Finance Minister of Mexico
The Hon. Peter Lougheed, Former Premier of Alberta

Continental Prosperity in the New Security Environment

Tuesday, September 12th

- 3:00 to 4:30 pm** **Advance Registration**
Location: Heritage Hall
- 5:00 pm** **Registration**
Location: Oval Room
- 5:45 pm** **Opening and Welcoming Reception**
Location: Conservatory in the Cascade Ballroom
- 6:45 pm** **Dinner & Keynote Address**
Location: Cascade Ballroom
- 8:15 pm** **Keynote Address – “Energy and Environment: A Vision for North America”**
Dr. Mario Molina, 1995 Nobel Laureate in Chemistry (Mexico)

CO-CHAIRMEN • GEORGE P. SHULTZ • PEDRO ASPE • PETER LOUGHEED

CANADA WEST FOUNDATION • SUITE 900, 1202 CENTRE STREET SE • CALGARY, AB T1P 1J6
(403) 264-9535 TEL. • (403) 269-4776 FAX



Wednesday, September 13th

- 7:30 am **Continental Breakfast & Registration**
Location: Alhambra Room
- 8:15 am **Keynote Address – “Alberta’s Role in Continental Energy Security”**
The Hon. Greg Melchin, Minister of Energy, Government of Alberta
Q & A 8:45 – 9:00 a.m.
- 9:00 am **SESSION I: OPENING COMMENTS BY MESSRS. SHULTZ, ASPE AND LOUGHEED**
Location: Alhambra Room
- SESSION II: A VISION FOR NORTH AMERICA: ISSUES & OPTIONS**
Location: Alhambra Room
- 9:30 am **PANEL:**
Moderator: Dr. Thomas A. Shannon, Assistant Secretary of State for Western Hemisphere Affairs (US)
Panelists:
Robert Pastor, Director, Center for North American Studies, American University (US)
Roger Gibbins, President & CEO, Canada West Foundation (CAN)
Andrés Rozental, President, Mexican Council on Foreign Relations (MEX)
- 10:05 am **ROUNDTABLE DISCUSSION**
- 10:45 am **Break**
- SESSION III: TOWARD A NORTH AMERICAN ENERGY STRATEGY**
Location: Alhambra Room
- 11:00 am **Introduction of the Keynote Speaker**
The Hon. George P. Shultz, Co-Chair, North American Forum
- 11:05 am **Keynote Address:**
Secretary Clay Sell, Deputy Secretary of Energy, U.S. Department of Energy
- 11:25 am **PANEL:**
Moderator: N. Murray Edwards, Vice Chairman, Canadian Natural Resources Limited (CAN)
Panelists:
Richard George, President & CEO, Suncor Energy Inc. (CAN)
David Victor, Director, Program on Energy & Sustainable Development, Center for Environmental Science & Policy (US)
Vinicio Suro, Planning & Evaluation Subdirector, PEMEX (MEX)
- 12 noon **ROUNDTABLE DISCUSSION**
- 12:45 pm **Break**

CO-CHAIRMEN • GEORGE P. SHULTZ • PEDRO ASPE • PETER LOUGHEED

CANADA WEST FOUNDATION • SUITE 900, 1202 CENTRE STREET SE • CALGARY, AB T1P 1J6
(403) 264-9535 TEL. • (403) 269-4776 FAX



- 1:00 pm **Lunch**
Location: Cascade Ballroom
- 1:25 pm **Introduction of Keynote Speaker**
The Hon. George P. Shultz, Co-Chair, North American Forum
- 1:30 pm **Keynote Address:** *General Pete Pace, Chairman, Joint Chiefs of Staff*

Q & A
- 2:10 pm **Break**
- SESSION IV: OPPORTUNITIES FOR SECURITY COOPERATION IN NORTH AMERICA - Military-to-military cooperation**
Location: Alhambra Room
- 2:30 pm **PANEL:**
Moderator: William J. Perry, former US Secretary of Defense (US)
Panelists:
Admiral Tim Keating, Commander NORAD/USNORTHCOM (US)
Maj. Gen. Daniel Gosselin, Director General, International Security Policy (CAN)
Gerónimo Gutiérrez, Under-Secretary for North America, Ministry of Foreign Affairs (MEX)
- 3:05 pm **ROUNDTABLE DISCUSSION**
- 4:00 pm **Break**
- SESSION IV: OPPORTUNITIES FOR SECURITY COOPERATION IN NORTH AMERICA CONTINUED**
Location: Alhambra Room
- 4:15 pm **PANEL:**
Moderator: William Schneider, President, International Planning Services (US)
Panelists:
Ward Elcock, Deputy Minister, Department of National Defence (CAN)
Eduardo Medina-Mora, Secretary of Public Safety (MEX)
Ryan Henry, Principal Deputy Under Secretary of Defense for Policy (US)
- 4:50 pm **ROUNDTABLE DISCUSSION**
- 5:45 pm **Wrap-up of daytime sessions**
- 6:30 pm **Reception**
Location: Conservatory in the Cascade Ballroom
- 7:00 pm **Dinner & Keynote Address**

CO-CHAIRMEN • GEORGE P. SHULTZ • PEDRO ASPE • PETER LOUGHEED



8:10 pm *Location: Cascade Ballroom*
Keynote Address - The Hon. Stockwell Day, Minister of Public Safety & Emergency Preparedness Canada

Thursday, September 14th

7:00 am **Breakfast**
Location: Alhambra Room

7:10 am **Introduction of the Keynote Speaker**
The Hon. George P. Shultz, Co-Chair, North American Forum

7:15 am **Keynote Address – “The Energy Imperative, Technology and the Role of Emerging Companies”**
E. Floyd Kvamme, Co-Chair, President’s Council of Advisors on Science & Technology (US)
Q & A – 7:40 to 8:00 a.m.

SESSION V: DEMOGRAPHIC AND SOCIAL DIMENSIONS OF NORTH AMERICAN INTEGRATION

Location: Alhambra Room

8:00 am **PANEL:**
Moderator: Andrés Rozental, President, Mexican Council on Foreign Relations (MEX)

Panelists :

Sheila O’Brien, President, Corporate Director, Belvedere Investments (CDA)

Carlos Heredia, Chief International Affairs Advisor to the Governor of the State of Michoacán in Mexico (MEX)

Doris Meissner, Senior Fellow, Migration Policy Institute (US)

8:35 am **ROUNDTABLE DISCUSSION**

9:30 am **Break**

SESSION VI: BORDER INFRASTRUCTURE AND CONTINENTAL PROSPERITY

Location: Alhambra Room

CO-CHAIRMEN • GEORGE P. SHULTZ • PEDRO ASPE • PETER LOUGHEED



- 9:45 am **PANEL:**
Moderator: Hon. John P. Manley, McCarthy Tetrault LLP (CAN)
Panelists:
Thomas d'Aquino, President & CEO, Canadian Council of Chief Executives (CAN)
Carla Hills, Chairman & CEO, Hills & Co. (US)
Luis de la Calle, Managing Director & Founding Partner, de la Calle, Madrazo, Mancera, S.C. (CMM) (MEX)
- 10:20 am **ROUNDTABLE DISCUSSION**
- 11:00 am **SESSION VII: ROUNDTABLE CONVERSATION WITH THE CO-CHAIRS**
Location: Alhambra Room
Moderator: Jane Wales, President and CEO, World Affairs Council of Northern California
Presenters: George Shultz, Co-Chair, North American Forum
Peter Lougheed, Co-Chair, North American Forum
Pedro Aspe, Co-Chair, North American Forum
- 12:00 pm **Adjourn**
- 12:30 pm **Informal lunch**
Location: Alhambra Room

CO-CHAIRMEN • GEORGE P. SHULTZ • PEDRO ASPE • PETER LOUGHEED

CANADA WEST FOUNDATION • SUITE 900, 1202 CENTRE STREET SE • CALGARY, AB T1P 1J6
(403) 264-9535 TEL. • (403) 269-4776 FAX



North American Forum
Continental Prosperity in the New Security Environment
Fairmont Banff Springs Hotel
Banff, Alberta
September 12-14, 2006
"Advance Copy"
List of Participants

Under the Joint Chairmanship of:

The Hon. George Shultz, Former U.S. Secretary of State
The Hon. Pedro Aspe, Former Finance Minister of Mexico
The Hon. Peter Lougheed, Former Premier of Alberta

CANADA

Hon. Perrin Beatty	President & CEO, Canadian Manufacturers & Exporters
Mr. Peter M. Boehm	Assistant Deputy Minister, North America
Mr. Thomas d'Aquino	President & CEO, Canadian Council of Chief Executives
Hon. Stockwell Day	Minister of Public Safety & Emergency Preparedness Canada
Dr. Wendy Dobson	Professor, The Institute for International Business, University of Toronto
Mr. N. Murray Edwards	Vice Chairman, Canadian Natural Resources Limited
Mr. Ward Elcock	Deputy Minister, Department of National Defence Canada
Mr. William J.S. Elliott	Associate Deputy Minister, Public Safety
Dr. John English	Executive Director, Centre for International Governance Innovation
Mr. Brian Felesky	Partner, Felesky Flynn Barristers and Solicitors, Tax Counsel
Mr. Richard L. George	President & CEO, Suncor Energy Inc.
Dr. Roger Gibbins	President & CEO, Canada West Foundation
RAadm Roger Girouard	Commander, Maritime Forces Pacific, Joint Task Force (Pacific),
Maj. Gen. Daniel Gosselin	Director General, International Security Policy, Canadian Forces
Mr. James K. Gray	Chairman, Canada West Foundation
Mr. Fred Green	President & CEO, Canadian Pacific Railway
Mr. V. Peter Harder	Deputy Minister, Foreign Affairs and International Trade Canada
Mr. Paul J. Hill	President & CEO, Harvard Developments Inc.
Mr. Pierre Marc Johnson	Counsel - Lawyer, Heenan Blaikie
Mr. James Kinnear	Chairman, President & CEO, Pengrowth Corporation
Mr. Harold N. Kvisle	CEO, TransCanada Corporation
Mr. Gaëtan Lavertu	Ambassador of Canada to Mexico
Hon. John P. Manley	Senior Counsel, McCarthy Tetrault LLP
Mr. Ronald N. Mannix	Chairman, Coril Holdings Ltd.
Mr. Ronald P. Mathison	President, Matco Investments Ltd.

CO-CHAIRMEN • GEORGE P. SHULTZ • PEDRO ASPE • PETER LOUGHEED

CANADA WEST FOUNDATION • SUITE 900, 1202 CENTRE STREET SE • CALGARY, AB T1P 1J6
(403) 264-9535 TEL. • (403) 269-4776 FAX



Hon. A. Anne McLellan	Counsel, Bennett Jones LLP
Hon. Greg Melchin	Minister of Energy, Government of Alberta
Ms. Sheila O'Brien	President, Corporate Director, Belvedere Investments
Hon. Gordon J. O'Connor	Minister of Defence, Government of Canada
Mr. Colin Robertson	Minister (Advocacy) & Head, Washington Advocacy Secretariat, Canadian Embassy
Mr. Berel Rodal	Vice Chairman, International Center on Nonviolent Conflict
Mr. Gordon Smith	Chairman, The International Development Research Centre

MEXICO

Mr. Manuel Arango	CEO, Grupo Concord
Mr. Agustín Barrios Gómez	President of the Board of Directors, Solutions Abroad
Mr. Juan Camilo Mourifio	General Coordinator, President Elect's Transition Team
Mr. Fernando Chico Pardo	CEO, Promecap
Mr. Ernesto Cordero	Chief Economist, President Elect's Transition Team
Mr. Carlos de Icaza	Ambassador of Mexico to the United States
Mr. Luis de la Calle	Consultant, Former Deputy Minister of the Economy
Mr. Juan Gallardo	Chairman of the Board, Grupo Embotelladoras Unidas
Mr. Gerónimo Gutiérrez	Deputy Foreign Minister for North America
Mr. Carlos Heredia	Chief International Affairs Advisor to the Governor of the State of Michoacán in Mexico
Ms. Silvia Hernández	Former Senator and Chair of the Senate Foreign Relations Subcommittee on North America
Sec. Eduardo Medina Mora	Secretary of Public Security
Dr. Mario Molina	1995 Nobel Laureate in Chemistry
Emb. Andrés Rozental	(Mexican Coordinator) – Mexican Council on Foreign Relations
Dr. Luis Rubio	Director General, CIDAC
Dr. Jorge Santibañez	President, El Colegio de la Frontera Norte
Mr. Arturo Sarukhan	Coordinator of Int'l Affairs, Campaign of Felipe Calderon
Ms. Maria Teresa Garcia Segovia	Ambassador of Mexico to Canada
Dr. Mónica Serrano	El Colegio de México, Señor Fellow Oxford University
Dr. Vinicio Suro Pérez	Planning & Evaluation Subdirector, PEMEX
Dr. Jaime Zabludovsky	Consultant, Former Trade Negotiator

UNITED STATES

Ms. Leslie A. Bassett	Deputy Chief of Mission, U.S. Embassy Mexico City
Ms. Deborah Bolton	Political Advisor to Commander, US Northern Command
Mr. Ron T. Covais	President, The Americas, Lockheed Martin Corporation
Sec. Kenneth W. Dam	Max Pam Professor Emeritus of American & Foreign Law and
Mr. John Dickson	Deputy Chief of Mission, US Embassy in Ottawa
Mr. Daniel P. Fata	Deputy Assistant Secretary of Defense for European and NATO Policy
Mr. Daniel W. Fisk	Special Advisor to the President and Senior Director for Western Hemisphere Affairs, National Security Council
Sec. Ryan Henry	Principal Deputy Under Secretary of Defense

CO-CHAIRMEN • GEORGE P. SHULTZ • PEDRO ASPE • PETER LOUGHEED

CANADA WEST FOUNDATION • SUITE 900, 1202 CENTRE STREET SE • CALGARY, AB T1P 1J6
(403) 264-9535 TEL. • (403) 269-4776 FAX



Ms. Carla A. Hills	Chairman & CEO, Hills & Company
Ms. Caryn Hollis	DASD (Acting) Western Hemisphere Affairs
Mr. William Irwin	Manager, International Government Affairs; Policy, Government and Public Affairs, Chevron Corporation
Mr. Thomas Huffaker	U.S. Consul General in Calgary
Dr. Robert G. James	President, Enterprise Asset Management Inc.
Admiral Tim Keating	Commander, US Northern Command
Mr. E. Floyd Kvamme	Partner Emeritus at Kleiner Perkins Caufield & Byers; Co-Chair of The President's Council of Advisors on Science and Technology (PCAST)
Dr. Ronald F. Lehman II	Director, Center for Global Security Research, Lawrence Livermore National Laboratory
Mr. William W. McIlhenny	Member of the Policy Planning Council for Western Hemisphere Affairs, US Department of State
Mr. M. Peter McPherson	President, National Association of State Universities & Land-Grant Colleges
Ms. Doris Meissner	Senior Fellow, Migration Policy Institute
Dr. George Miller	Director, Lawrence Livermore National Laboratory
Mr. George R. Nethercutt, Jr.	U.S. Chairman of the U.S.-Canada Permanent Joint Board on Defense
Ms. Mary Anastasia O'Grady	Editorial Board Member and Americas Column Editor, <i>The Wall Street Journal</i>
General Peter Pace	Chairman, Joint Chiefs of Staff
Dr. Robert A. Pastor	Director, Center for North American Studies, American University, Washington, DC
Dr. William Perry	Professor, Stanford University; former Secretary of Defense
Dr. James Schlesinger	Former Secretary of Energy & Defense; former Director of Central Intelligence
Dr. William Schneider, Jr.	Chairman of the Defense Science Board / The Pentagon
Sec. Clay Sell	Deputy Secretary of Energy
Dr. Thomas A. Shannon, Jr.	Assistant Secretary of State for Western Hemisphere Affairs
Dr. David G. Victor	Director, Program on Energy & Sustainable Development at Center for Environmental Science & Policy
Maj. Gen. Mark A. Volchegg	Director, Plans, Policy & Strategy, NORAD-NORTHCOM
Ms. Jane Wales	President & CEO, World Affairs Council of Northern California
Mr. R. James Woolsey	Vice President, Booz Allen Hamilton; former Director of Central Intelligence

CO-CHAIRMEN • GEORGE P. SHULTZ • PEDRO ASPE • PETER LOUGHEED

CANADA WEST FOUNDATION • SUITE 900, 1202 CENTRE STREET SE • CALGARY, AB T1P 1J6
(403) 264-9535 TEL. • (403) 269-4776 FAX



NORTH AMERICAN FORUM • FORUM NORD-AMÉRICAIN • FORO DE AMÉRICA DEL NORTE

CO-CHAIRMEN • GEORGE P. SHULTZ • PEDRO ASPE • PETER LOUGHEED

Key Energy Issues Facing Mexico, Canada, and the United States

Submitted by:

Vinicio Suro, Planning and Evaluation Subdirector for PEMEX

David Victor, Director, Program on Energy & Sustainable
Development, Stanford University
Professor, Stanford Law School

Rick George, President and Chief Executive Officer,
Suncor Energy Inc.

In preparation for:

Session III of the North American Forum: Toward a North American Energy Strategy

September 13, 2006

Banff, Alberta

In an era of unprecedented economic growth and increasing political tension, North America needs, more than ever, to build consensus on the nature of economic integration. As we seek to ensure the competitiveness of each of our economies, the security of our nations, the sustainability of our environment and a high standard of living for our citizens, we must ultimately come to agreement on the degree of integration that is either required or desirable in all of our economic sectors, including energy.

Since NAFTA was enacted in 1994 – creating the world's largest free trade zone – North American trade has more than doubled in value and that growth continues. At the same time, however, the emerging economies in Asia and India are growing even faster. And while those economies are providing significant new market opportunities for North America, they also present a growing competitive threat – in particular to the service and manufacturing sectors, both of which rely for their efficiency on sustainable, low-cost, and reliable energy supply.

If we are to continue to maintain our position as economic leaders in the face of global competition, we must build on the foundation of trade integration we have achieved through NAFTA and make further progress on key elements of policy integration.

But what does it mean when applied to the energy sector? How do we achieve it? And just how much integration do we really need?

The task before us is to answer those questions.

The Challenges Ahead

At this Forum – and elsewhere in the months and years ahead – we need to make progress on a number of key challenges, all of which form the basis of economic integration. In broad terms, the challenges facing our nations are:

- 1. Expanding and protecting North American energy infrastructure.** An integrated North American energy strategy must ensure the sources of supply meet the sources of demand, with trading agreements and investments in infrastructure to build and protect continental connections between the two.
- 2. Sustaining a regulatory environment that encourages investment and cross-border coordination.** While each of our regulatory regimes has similar goals and are theoretically compatible, in practice they often hinder rather than facilitate trade and efficiency.
- 3. Driving investment, innovation and technology.** Even as governments in North America struggle to encourage adequate investment in infrastructure, there are worrying signs that energy firms—especially in electric power—are not investing adequately in innovation and advanced technology to ensure our countries are developing the world's most competitive energy sectors.
- 4. Overcoming human resource constraints and barriers to knowledge and skills development.** The flow of goods and labor is becoming increasingly continental, if not global. Our continental strategy must encourage and facilitate freer movement of skills, within and across our borders, on both a permanent and temporary basis. This challenge is especially pressing in the energy sector, where new projects require specialized skills and large workforces.
- 5. Supporting environmental sustainability.** A continental energy strategy must not only address market dynamics and support our economic objectives, but also respect such environmental goals as the improvement of air and water quality and the global control of greenhouse gas emissions. A significant portion of greenhouse gas emissions come from the energy producing sector, and achieving deep cuts will require fundamental transformation of the sector's technology and operating practices.



These five challenges call for varying degrees of integration, and a tri-lateral commitment to their achievement. The specific industry requirements, consumer characteristics and market fundamentals of each of our countries means that some issues must be addressed bilaterally. However, a truly effective North American strategy will require all parties to be at the table in shaping the broad, collective objectives of our nations and the agreements required to achieve those goals.

Getting to Solutions

A strategy for ensuring that energy services are part of North American economic integration requires attention to the politically feasible. In some areas it will be possible to harmonize at the highest prevailing standard; in others, systems of mutual and reciprocal recognition are more appropriate; in still others, political obstacles will make integration difficult and a measure of flexibility is needed.

At this Forum, we can provide valuable input to the many tri-lateral working groups if we can begin to build consensus on what "energy integration" really means. Where "regulatory convergence" begins and ends. When policy "harmonization" is of mutual benefit. And exactly how "interoperability" can be achieved in a sector with such different energy needs and supplies.

This Forum and subsequent initiatives ultimately must bring to light solutions to the challenges we face in building a truly integrated North American Energy Strategy – a strategy that ensures our mutual competitiveness in the face of growing and emerging world-wide trade.



NORTH AMERICAN FORUM • FORUM NORD-AMÉRICAIN • FORO DE AMÉRICA DEL NORTE

CO-CHAIRMEN • GEORGE P. SHULTZ • PEDRO ASPE • PETER LOUGHEED

Overview of North American Security Issues

The terrorist attacks on the United States of September 11th, 2001, and the ensuing disruption of North American commerce and travel have served as a reminder of the vulnerability to terrorism our three interdependent nations share. The ability of our societies to persevere and adapt to the 21st century security environment will depend on the degree to which we can extend our fruitful collaboration in the economic sphere to the domain of North American security. Future security arrangements need to be adaptive as well as anticipatory to provide an enduring environment within which the economic and cultural dynamism of North America can be sustained. The threats posed to both the North American region as well as the international community are transnational, and do not necessarily fit the classic Westphalian model of a state-to-state confrontation. Moreover, the character of security threats posed to modern societies covers a wide spectrum of possibilities including economic, social, ideological, and others, so a military response is not always appropriate. The Security and Prosperity Partnership agreed upon by the leaders of the Canada, Mexico, and the United States offers a constructive framework within which to address the three primary aims of the North America Security Agenda.

(1) Securing North America from external threats

Since the end of the Cold War, external threats to North America are less likely to emerge from adversaries with capabilities on the scale of the former Soviet Union than they are from terrorist entities, failed states, and rogue nations. Rather than using capabilities similar to those fielded by modern defense establishments, these States and non-State entities are likely to develop threats that are "asymmetric" and may rely on their ability to conceal these threats in normal commerce. The 9/11 attacks (and the recently thwarted attempt in the UK to bring down ~ 10 civil aircraft) demonstrated the ability of terrorist groups to use the civil air system as a threat. The SPP is responding to these threats through a number of initiatives including traveler security, cargo security, and aviation security. Intelligence and law enforcement cooperation can improve the likelihood of success of these initiatives.

A developing area for enhanced North American security is maritime cooperation. While the SPP maritime security initiative to implement a strategy to enhance maritime transportation and port security, the maritime dimension may offer other opportunities for further trilateral collaboration. Maritime threats can emerge in the open sea well beyond the Exclusive Economic Zone. Near-real time information sharing can significantly improve the ability of the three nations to most effectively use their existing capabilities to address maritime threats. The sharing of information can provide mutual support to each nation to ensure the security of the North American region.

Expanding opportunities to exercise national capabilities in a bilateral as well as trilateral setting can further increase confidence in our ability to thwart emerging threats, and to permit the sharing of new concepts for engaging future threats. The development of new institutional arrangements to facilitate the sharing of maritime security information may also contribute to the effectiveness of securing the maritime domain.

(2) Preventing and responding to threats within North America

Terrorist threats to North America can emerge from many sources. Advances in the civil transportation infrastructure, the mobility of labor, and the global expansion of commerce have created new opportunities for terrorists to operate by concealing their presence in legitimate commerce and individual travelers. Moreover, the essential industrial materials and electronic components to create highly destructive weapons are widely available from commercial and industrial sources throughout North America.

Coping with threats that can be so destructive, yet so readily created by technically sophisticated terrorists will require a highly effective process of cooperation between the intelligence and law enforcement communities throughout the region. The ability to share, process, and exploit available data to monitor the movements of potential terrorists and their activities will be a decisive contributor to ensuring the security of North America.

The convergence of threats from outside of North America with the means produce destructive devices within North America reaffirms the need for close collaboration between institutions focused on foreign threats and those directed at domestic threats to



North American security. Exploiting the opportunities created by the application of modern technology to the mission of tracking and locating individuals involved in or associated with terrorist activities can materially contribute to North American security while mitigating the burden such efforts place on legitimate commerce and travel.

(3) Streamlining the secure and efficient movement of legitimate and low-risk traffic across our shared borders

Modern technology permits moving away from manpower-intensive and burdensome border controls in favor of much more effective security measures that are transparent to the traveler, and an enabler of regional commerce. The Smart Secure Borders initiative that will establish risk-based screening standards for goods and people that rely on technology, information sharing, and logistics will contribute to both the security of our three nations as well as facilitating the movement of people and goods across borders.

The means are available, both technological and institutional, to significantly diminish the risk of terrorist use of our shared borders to pose a threat to North American security. The application of modern technology can strengthen North American border security while mitigating the burden that traditional security measures might otherwise impose on commerce, travel, and personal liberty of our citizens.



NORTH AMERICAN FORUM • FORUM NORD-AMÉRICAIN • FORO DE AMÉRICA DEL NORTE

CO-CHAIRMEN • GEORGE P. SHULTZ • PEDRO ASPE • PETER LOUGHEED

Demographic and Social Dimensions of North American Integration

Overview: current situation

North America is viewed as the world's largest trade bloc. The cumulative result of cross border trade and investment is for most practical purposes an integrated economy. However, increasing economic and social polarization between, Canada and the United States, on the one hand, and Mexico on the other hand, as well as inside all three economies, seems to be a common challenge. While prosperity has expanded in years of relatively modest economic growth, wealth and income tend to be concentrated in the hands of conspicuous elites. The case of Mexico is especially significant, as the country has yet to empower a sizeable percentage of the population to become middle class. A new approach to cope with the persistence -and sometimes the increase- of poverty and inequality is needed for North America, one that addresses the development gap and implies a pro-active role and a genuine involvement for government and civil society alike.

Potential areas of policy agreement (and disagreement)

In Mexico, globalization has caused vast imbalances of wealth. As the recent presidential election made it evident, beyond the nationwide income gap, the country is deeply divided between the north and the south, between the dollar economy and the peso economy. Per capita income in Chiapas, Guerrero and Oaxaca is only 18% of the levels found in the northern states and in Mexico City. The upper ten per cent of the population commands 43 per cent of national income; at the other end, the lowest ten percent receives only 1 per cent of national income, which means the very rich are forty-three times richer than the extreme poor.

Mexico badly needs a vision of how to heal the deep wound between the north and the south, as well as the widening gap between social strata. For example, the National University was a mechanism for different social classes to mix and a door of entry for upward social mobility. That is no longer the case in a society where the elites go to private schools from kindergarten until they complete their graduate studies, while the vast majority of students have to make do with under funded, substandard public schools. To make things worse, the lack of incentives at home makes many of Mexico's best minds vote with their feet as they look up to a career in the United States.

Mexico wants the United States to acknowledge it needs Mexican workers, whose net contribution to the American economy is deemed significant and positive. Mexico would like to see in place an immigration agreement between the two countries that rewards work, awards visas for workers and families, respects rights and offers a path to earned citizenship for undocumented workers in the United States. Furthermore, President Fox is calling on Canada to accept more low-skilled temporary workers in its workforce; the Mexican government would like to widen the Temporary Mexican Migrant Labor Program in Canadian Agriculture, and implement it in more Canadian provinces, as it affords laborers (120,000 over thirty two years) much better working conditions than in the United States.

In 2008 tariffs will be completely phased out on imports of maize, beans and powder milk from Nafta countries into Mexico. Some fear the removal of this protection will further stimulate northward migration, in light of the refusal of the United States Government to accept the WTO's compromise on cutting its domestic support and eliminate subsidies to American agricultural producers and exporters.

Meanwhile, Washington is fortifying its borders and tightening entry requirements. Two approaches to immigration reform are being debated - one, supported by the House, emphasizes border control and law enforcement; the other, supported by the Bush Administration and passed by the Senate is comprehensive, in that it addresses border and workplace enforcement along with the need for legal flows of workers and legal status for the undocumented population in the US. It is by far the more preferable. However, both proposals have serious flaws. Only comprehensive reform that combines border security, workplace enforcement, legal status that can lead to citizenship, and a policy of legal flows of workers that Mexico and the US work together to regulate can eventually pave the way for an integrated labor market in North America.



The United States and Canada believe Mexico has not done enough in terms of controlling northward migration of its own citizens and of other than Mexican migrants through its southern border. Neither Ottawa nor Washington DC are prepared to finance a development fund to create opportunities in the regions of origin of migrant workers in Mexico, as they are convinced this effort must be first undertaken by Mexico.

Working people face many challenges in Canada and the United States as well, regarding family income, wages, poverty, and regional inequality. Low-wage workers in the United States face obstacles including racial and ethnic discrimination, a pervasive lack of wage enforcement and misclassification of their employment, while technical professions are rapidly being outsourced to India and other Asian countries. Other social issues confronting the three countries are underinvestment in skills and education, urban revitalization, social security, and health care reform for low-income people.

Opportunities for Cooperation and Proposals for Action

Building the North American economic system was very much a process driven largely by firms. We can no longer assume that spill-over from economic integration will be automatic or efficient. While the degree of collaboration and complementarity between countries is unprecedented, a comprehensive North American analysis is needed to direct policy initiatives toward targeted improvements.

In 2005, Mexico received upwards of \$22bn in remittances from migrant workers in the US. There are at least 650 associations of Mexicans in the US -who see themselves as binational communities- which have supported over 1,500 social development projects in their hometowns over the last ten years. An increasing number of government officials, businessmen and experts agree on the fact that the long-run solution to Mexican immigration to the US is closing the development gap in North America, by helping Mexico build and consolidate a middle class.

Migration and labor mobility cannot and should not be de-linked from trade and investment. The expansion of trade and investment will not do the trick unless they include labor standards, labor mobility and immigration. Specifically targeted programs are required to prevent further concentration of the potential benefits of integration, and to make them work for everyone. Economic and social cohesion in Mexico is in the interest of North American integration, because it will result in an expansion of the domestic market and it will reduce the flows of undocumented northward migration, thus enhancing security in Mexico, the United States and Canada.

Reforms to reduce poverty and inequality in Mexico must start from within. Mexico must focus on achieving universal primary education; promoting gender equality and empowering women; building integrated infrastructure networks and water and sanitation facilities; applying science, technology and innovation for development; and promoting food security and environmental sustainability. As many Mexicans have claimed, building up the tax revenue base, along with beefing up the country's antitrust agency and its regulatory capacity, are essential to increase competitiveness. The government needs to build the infrastructure -human, physical and institutional- for ordinary people to benefit from North American integration.

Addressing the demographic and social dimensions of integration requires a drive to bring the long excluded majority of our people into the mainstream of economic life. The challenge is to find ways to generate new opportunities for the underprivileged, to make the poor move into the middle income brackets. The poor in Mexico need to see that empowerment deals that include companies, employees, customers and emerging businesses which bring real bottom-line value to the table are rewarded accordingly. In short, the country needs to replace crony capitalism with the promise of building an entrepreneurial culture to develop skills and talent at the base of the pyramid.

Multilateral banks, governments and experts are turning their sights on the left-behind majorities fueling what the political establishment sees as the populist surge. How then to empower people to become middle class? The maverick politicians throughout Latin America rely on government expenditure and transfer payments to consumers, as they believe this will have an

immediate favorable impact with the voters. On the other hand, orthodox policymakers favor a human capital and institutional development approach which, paired with macroeconomic stability and effective enforcement of competition policies, may take longer to hold but should have more profound positive effects in the long run.

The Inter-American Development Bank, for instance, wants to shift its focus from big loans to smaller loans for projects that improve the working and living conditions of the majority. The development bank wants to sponsor projects that:

- bolster small business by offering credit;
- promote financing for housing;
- spread the benefits of the digital revolution;
- provide water and sanitation services; and
- boost education and productivity.

Building a knowledge society is absolutely critical for North America. The United States and Mexico, and to a lesser extent Canada, have fallen behind Japan, Korea and China in recent OECD evaluations on math, science and reading skills of secondary school students.

All three countries need a vision of government and the economy that focuses on creating jobs, and investing in people, infrastructure and the environment. It seems essential to multiply and diversify the educational and cultural exchanges among the three countries as a mechanism to improve mutual knowledge between neighbors and to foster a friendlier approach to regional integration, much along the line of the cross-border networks that provincial, state and municipal governments and citizens are building.

The bottom line is: businesses can only prosper in societies that prosper, and that must include everyone. New markets, shared wealth: that is the challenge before the three Nafta partners. Building opportunities for the majority of the population is the name of the game.

This three-pronged joint approach towards enhancing the region's physical, social and institutional infrastructure will not flourish unless it is nurtured by the three countries, much along the cooperation framework developed by Professor Pastor in his vision paper. Canada, the United States and Mexico must develop our logistical corridors, teach our children well and revamp and update our national and common institutions if we are to deliver on the promise of security and prosperity for all as the goal of an inclusive, democratic process of integration.



NORTH AMERICAN FORUM • FORUM NORD-AMÉRICAIN • FORO DE AMÉRICA DEL NORTE

CO-CHAIRMEN • GEORGE P. SHULTZ • PEDRO ASPE • PETER LOUGHEED

The North American Competitiveness Challenge

Prepared by:

Thomas D'Aquino
Chief Executive and President
Canadian Council of Chief Executives
and
Chairman of the North American
Security and Prosperity Initiative

A dozen years ago, Canada, the United States and Mexico entered a bold new era of expanded opportunities for trade and investment. The North American Free Trade Agreement (NAFTA), which took effect on January 1, 1994, eliminated tariffs on industrial goods, liberalized trade across a broad range of services and provided the world's highest standard of protection for intellectual property. Equally important, NAFTA set clear rules to protect investors and created a framework that encourages transparency, respect for property, and adherence to the rule of law.

NAFTA has contributed substantially to the economic competitiveness of all three countries. Since 1994, trade among the three countries has more than doubled in value, and intraregional investment has grown even faster. Mexico's exports have increased more than 250 percent, and Canada's have more than doubled. Canada, by itself, has become the largest customer of thirty-nine American states. Mexico is the first or second largest customer of twenty-two states, and the second largest overall. Consumers, businesses and governments alike have benefited from the creation of the world's largest free trade area.

The rest of the world, however, has not stood still. On the contrary, with each passing year global commercial competition has grown ever more intense. Emerging economies such as China and India are growing in importance both as customers and as fierce competitors in the service and manufacturing sectors. The rise of Asia as an economic power has yielded significant benefits for North American consumers and countless new opportunities for forward-thinking businesses, but it also has driven up prices for many raw materials and created a massive new magnet for capital investment. Across North America, companies large and small are struggling to adapt to the speed and scale of these changes in the global marketplace. Some have already closed their doors; others have been compelled to consider relocating all or part of their operations – with obvious repercussions for employment in their home markets.

No-one seriously suggests that the rise of Asia, fueled by plentiful supplies of relatively inexpensive and increasingly skilled labour, will one day put North America out of business. But in the same way that NAFTA helped our economies become more efficient and productive, there is today an urgent need for a comprehensive strategy to enhance the competitiveness, prosperity and quality of life of North America. In some areas, this will mean taking steps to ensure that NAFTA works better – for example, by strengthening the agreement's dispute settlement provisions. But if we wish to avoid finding ourselves at a serious competitive disadvantage with rapidly expanding economies in Asia and elsewhere, we also must be prepared to move beyond NAFTA by considering additional measures to strengthen North American productivity and enhance our ability to compete in a transforming world economy.

To achieve this objective, action is required on many fronts. We need to address unwieldy North American rules of origin, alleviate congestion at our ports of entry, and streamline complex and costly rules that impede the movement of low-risk travelers. We need to ensure that North America remains the world's most attractive place to invest and do business. While continuing to protect our health, safety and environment, we need to strengthen regulatory cooperation and eliminate

unnecessary or obsolete rules that penalize consumers and companies by driving up costs. We need to do more to ensure that our workers have the education, skills and training they require to succeed in an increasingly sophisticated global economy. And we need to expand security cooperation in ways that will ensure the physical safety of our citizens while accelerating the smooth flow of goods and people at major North American border crossings.

In recent years, a number of important studies and initiatives have addressed the competitiveness challenge. Among the most significant was the trilateral Independent Task Force on the Future of North America, sponsored by the Council on Foreign Relations with the Canadian Council of Chief Executives and the Consejo Mexicano de Asuntos Internacionales. In its Final Report, published in May 2005, the Task Force put forward a series of specific recommendations aimed at establishing a seamless North American market, adopting a North American approach to regulation, increasing labor mobility, and enhancing support for North American education programs.

In March 2005, the leaders of the United States, Canada and Mexico signaled their commitment to enhancing the physical and



economic security of the continent with the signing of the Security and Prosperity Partnership of North America (SPP). Based on the principle that our security and prosperity are mutually dependent and complementary, the SPP provides a framework for action by all three national governments to confront shared security and economic challenges, strengthen continental competitiveness and enhance opportunities for all citizens.

North American Competitiveness Council

In March 2006, President George W. Bush, Prime Minister Stephen Harper and President Vicente Fox met in Cancun, Mexico, to discuss various North American policy priorities and to review progress under the SPP. At the conclusion of the summit, the three leaders announced the creation of the North American Competitiveness Council (NACC). Comprising senior representatives of the private sector from each country, the NACC is intended to assist the three governments by providing recommendations aimed at strengthening North American competitiveness.

The initial list of competitiveness issues identified by the business leaders includes: standards and regulatory convergence; border security; supply chain management; transportation; infrastructure; labour market integration; intellectual property protection; dispute resolution; and the so-called "external dimension," including trade relations with the rest of the world. However, at a meeting in Washington, D.C., in August 2006, NACC members agreed that three overall priorities merited their immediate attention – border-crossing facilitation, standards and regulatory convergence, and energy integration.

Border-Crossing Facilitation

The issue of how best to maintain the smooth flow of goods and people across North America's borders has been of critical importance since the terrorist attacks of September 11, 2001. Several important steps have been taken within the Smart Border initiative, including the establishment of new truck inspection lanes, vehicle and cargo inspection machines, information exchanges, cross-border forums and shared resources such as Integrated Border Enforcement Teams (IBETs). Recent

improvements in border infrastructure, however, are simply not keeping the pace with the degree of integration among the three NAFTA partners. Accelerated action is required to expand border capacity so as to facilitate the more efficient movement of goods.

The border can also be made more efficient through the application of new technologies. As demonstrated by the FAST and NEXUS programs, new technologies can play a powerful role in managing security risks in ways that reduce border delays, in particular by eliminating the need for paper transactions at the border. An additional priority is to shift the security emphasis to the continental perimeter. The Container Security Initiative, for instance, is aimed at carrying out the initial screening of goods destined for Canada and the United States at ports of embarkation abroad.

Standards and Regulatory Convergence

By and large, regulatory policy in Canada, the United States and Mexico is driven by similar goals. The regulations themselves, however, often differ in ways that impede the efficiency and competitiveness of business in all three countries. Canada's External Advisory Committee on Smart Regulation, for example, highlighted myriad minor differences between Canadian and American regulations, suggesting that "minimizing these differences would remove wasteful duplication and reduce costs for consumers, industry and government."

In June 2005, Canada, the United States and Mexico agreed to develop a trilateral Regulatory Cooperation Framework by 2007 that would support and expand existing cooperative efforts among regulators. The NACC can be an important driver to ensure that the framework reflects a more strategic and focused approach to standards and regulatory convergence, one that eliminates unnecessary

differences in existing standards and regulations while establishing a benchmark by which new regulations can be developed more effectively in the future.

There are many ways to reduce regulatory differences while protecting consumers and safeguarding public health and safety. These include harmonization at the highest prevailing standard, mutual recognition, reciprocal recognition, interoperability, collaborative development of new standards, and unilateral adoption of another country's rules. Each jurisdiction must retain the sovereign right to shape rules within its borders, but country-specific regulations should be adopted only where there is manifest justification for doing so.

Energy Integration

The development of a continental energy strategy is essential in addressing the competitiveness challenge. While recognizing their individual policies and priorities, the three governments need to work more closely to ensure energy security for people in all three countries. Issues to be addressed include: the expansion and protection of the North American energy infrastructure; development opportunities and regulatory barriers; and the technological and human capital constraints on accelerated development of energy resources within North America. Mexico's desire to retain full ownership of its strategic resources is rooted in historical experience, but expanded and more efficient development of these resources is needed to accelerate Mexico's economic growth. Canada serves as a good example. Today, Canada is the largest foreign supplier of energy to the United States and the country's energy industry is a powerful magnet for investment and innovation.

Broader Issues for Consideration

Two broader strategic issues will also receive attention from the NACC: innovation; and how to forge a more cohesive North American approach to the continent's relationship with the rest of the world, particularly as it relates to trade, competitiveness and security issues.

In addition, NACC members are likely to be called upon to consider the future of NAFTA itself, including the goal of creating a common external tariff, and improvements to the dispute resolution system. The latter is clearly a priority for Canada and Mexico, but all three countries stand to benefit if, rather than wasting time and money fighting with one another, they focus on combining their impressive strengths in taking on the rest of the world.

Finally, NAFTA could be expanded to enable much freer movement of people as well as goods, both through enhanced perimeter security and through greater labour mobility. It is important to note that specific initiatives may lend themselves to action on a bilateral rather than trilateral basis. This reflects the principle of "three can talk, two can do". Trilateral progress is and will remain the central goal of the NACC, but this should not inhibit any two partners from moving more quickly if they so desire.

The mandate of the NACC is to provide government leaders with private sector advice, expertise and support. As such, the Council is free to recommend broader strategic steps beyond the current scope of the SPP and to begin building consensus and support for such steps in all three countries. The challenge is considerable, but North America's future competitiveness will depend upon our willingness to consider bold and far-reaching reforms, and to do whatever it takes to ensure a higher quality of life for the citizens of all three countries.



NORTH AMERICAN FORUM • FORUM NORD-AMÉRICAIN • FORO DE AMÉRICA DEL NORTE

CO-CHAIRMEN • GEORGE P. SHULTZ • PEDRO ASPE • PETER LOUGHEED

A Vision of North America and Issues and Proposals for Discussion

Robert A. Pastor
Center for North American Studies
American University
Washington, D.C.

The conventional issues of international relations are foreign, defense, and trade policy, and while these issues often shape the contours of the relationships of the three governments of North America, what distinguishes the North American agenda is that most of it is "domestic" and span the policy spectrum – economic integration, the development gap, transportation and infrastructure, immigration and labor, border security, education, energy, agriculture, the environment, health care, and institutions.

The "Security and Prosperity Partnership" (SPP) inaugurated in Waco, Texas in March 2005 includes some of these issues, but the business of the three governments is "dual-bilateral" (U.S.-Mexico; U.S.-Canada) not North American. That may explain why the three governments set modest, incremental goals with the SPP, although an additional reason might be they judged that their legislatures were not inclined to bolder proposals. The lack of progress even on an incremental approach suggests that a compelling vision is needed for any change in the relationship. Therefore, recognizing that the political climate in all three countries may not be conducive to the immediate realization of either an incremental or bold objective, the North American Forum should begin by deciding whether it wants to articulate modest or bold goals.

This paper comes in two parts. The first offers a vision of a North American Community, and the second part poses some questions and offers some proposals.

I am grateful to the three Chairs – Secretary George Shultz, Premier Peter Lougheed, and Minister Pedro Aspe for their suggestions and comments on the paper on the Vision of North America. They suggested we consider this vision as a point of departure for the members of the North American Forum to consider a future agenda. I am also grateful to Andres Rozental and Roger Gibbins for comments on the paper on the issues. I have endeavored to incorporate all of the comments.

A Vision of a North American Community

We have come together to define and build a North American Community, a new and different relationship among the peoples and governments of Canada, Mexico, and the United States. Our goal is to fashion a new continental framework that will be viewed by all three countries as fair and one that would enhance the well-being of all its citizens and make our countries more secure, competitive, and just.

Beginning in the mid-1980s and accelerating since the North American Free Trade Agreement came into effect on January 1, 1994, economic and social integration among the three countries of North America has advanced at twice the rate as their trade and investment with the rest of the world. While Canada and Mexico remain more dependent on the U.S. market than the U.S. is on them, the first and second most important trading partners and sources of energy for the U.S. are Canada and Mexico.

This heightened interdependence means that instability or economic recession within one North American country will affect the others. When a neighbor's house burns or is vandalized, then all the houses in the community are in danger. At the same time, in a community, each benefits from the others' success. When the value of a neighbor's house rises, this has a positive effect on the other homes. These are the two sides of a vision of a North American Community. Increasing interdependence offers additional costs and opportunities. To mitigate the dangers and expand the benefits of a more integrated and less regulated market requires continental plans and institutions. It requires a new consciousness among both leaders and people – a new way of thinking about our neighbors. This will take time, but we want to begin the journey.

Our purpose is to build a greater sense of being a part of North America. We do not want to displace the pride each of us feel in our countries, but rather to supplement that with a feeling of being North American. We do so not to build a fortress or to separate ourselves from the world. On the contrary, we want to connect better with our closest neighbors in order to strengthen our ability to compete in the world and to serve as a model for other regional groups.

We are conscious that our history is viewed very differently in each country and that many view the differences separating us as



more profound than the ties that connect us or the commonalities. This is partly because one of the three partners is much stronger and wealthier than the others and partly because people in all three countries have not always been sensitive or even aware of the concerns of its neighbors. A Community requires a different attitude – one in which each country consciously tries to listen to the views of the others and learn from their experiences.

Perhaps, the most important tie connecting our countries is not commerce but people. Every year, our two borders experience 500 million border crossings, and the largest source of immigration to the United States in the past three decades has been Mexico – by far. Nearly thirty percent of all legal immigrants to the United States have come from just one country – Mexico – and nearly 60 percent of all undocumented workers. Canadians move to the United States for both pleasure and work more than to any other country. Americans travel more to Mexico and Canada than to any other countries. In brief, our people are connecting the countries routinely and more than ever before. And yet, despite growing interaction, or perhaps because of it, there have been increasing frictions and disappointments among our countries in the past few years.

We have come together not just to try to understand better the causes of these problems, but because we want to deepen and transform our relations. We want to begin by imagining a different North America – one in which:

The gap in income that separates Mexico from its northern neighbors has to narrow significantly, and genuine partnership becomes possible;

North American teams from all three countries are defending the continent;

Goods and services traverse the borders smoothly, and trucks do not have to off-load their cargoes at the border;

New trade corridors have been built from northern Canada to southern Mexico;

Labor markets are increasingly integrated with free movement of labor between the US and Canada and freer and legal movement between Mexico and the United States;

Students in all three countries learn about the characteristics the three countries share as well as the differences that distinguish them;

The continent becomes almost self-sufficient in energy and the energy industry in all three countries is on the cutting edge;

New institutions in North America are rule-based, lean and pragmatic. They help the three Parliaments address continental issues; forge common approaches to regulatory issues; resolve trade and investment disputes definitively; and

The leaders of the three countries meet annually and respond to an agenda and options proposed by a North American Commission.

A North American Community means that the United States would consult its neighbors on important issues that affect them. It means that Canada will work closely with Mexico to build rule-based institutions and to develop a formula for closing the development gap. It means that Mexico will undertake reforms that could make good use of the additional resources to close the development gap. All three countries face particular challenges to make North America more than just a geographical expression – the U.S., to demonstrate a more responsive leadership; Canada, to build institutions; Mexico, to close the development gap. Transforming the vision of a Community into policies and programs will require leadership, institutions, and resources.

Success would not only energize the continent; it would inspire the world.

Issues and Proposals

1. The Approach – Dual Bilateral or North American? There is no question but that the most important relationships remain U.S.-Canada and U.S.-Mexico, but the question is whether many of the issues – trade, terrorism, etc. – that bedevil the bilateral relationships might be more productively addressed within a North American framework based more on rules than on power.

2. The Development Gap. Despite the promise of the North American Free Trade Agreement (NAFTA), the income gap between Mexico and its northern neighbors has not narrowed, and thus the incentives for illegal migration have increased, and the challenge of poverty and inequality has grown more formidable. Moreover, as long as US and Canadian per capita incomes are 6-10 times larger than Mexico's, the prospect of having a genuine partnership remains remote. **Narrowing the gap in income may be the single most important issue on the North American agenda. The question is how to do that? There are numerous proposals. Let us identify two:**

a. Senator John Cornyn (Repub-Texas) introduced a bill on June 29, 2006 calling for a North American Investment Fund, which would channel grants for infrastructure and communications that would connect the center and south of Mexico to its northern markets. To be effective, the Fund would need about \$20 billion per year for a decade. Half should come from an increase in taxes in Mexico; 40% from the U.S., and 10% from Canada. It could be managed by the World Bank.

b. Mauricio González proposed combining two institutions, a "bank" and a "fund" that serve a common purpose of taking care of the financing needs of high productivity capital projects, as well as non-fully commercial productive investments. The main objective of the "bank" and the "fund" would be to finance investment projects primarily in the areas, mostly poor, with a high density of migrants to the US and Canada. To assure the viability of both institutions, the proposal needs to define the capital structure; funding or leverage mechanism; criteria for project selection and funding for non-profitable investment projects.

3. Security. The defense of North America changed fundamentally as a result of the end of the Cold War, the beginning of the global threat of terror, and the increasing sophistication and ruthlessness of drug-trafficking networks. The contemporary issues on security therefore include:

a. How to facilitate the exchange of intelligence information, unify exclusion lists, and adopt a common approach at all levels of government?

b. Should there be jointly train combined teams of military/security agents from the three countries? Would this be more effective in enhancing the security of the three countries and also help build confidence among the three countries?

c. Should there be more military cooperation among the three countries? Should NORAD be expanded to include Mexico and to include peace-keeping efforts?

d. What additional steps or mechanisms are needed to deal with public security in Mexico and, in particular, what should the three governments do about the growing power of transnational drug-trafficking networks?

4. Economic Integration. The benefits of NAFTA have eroded as free trade agreements with other countries have proliferated. Deepening integration provides an avenue for expanding the benefits, and there are many ways to do that.

a. Customs Union (common external tariff): This would eliminate the "rules of origin" provisions that require the inspection of all products at the borders and the identification of tariffs that correspond to the amount of the product manufactured outside of North America. This problem can be solved either by negotiating one product or sector at a time, or negotiating a single common external tariff.



b. The imposition of countervailing duties and anti-dumping no longer makes sense in an integrated market like North America. To address problems of predatory pricing, anti-trust mechanisms should be made continental in scope and the CVD/AD should be eliminated.

c. Regulatory policies are aimed to defend the health of people, the environment, safety and labor conditions, etc. Some of these provisions, however, are used to protect firms in one country from competition. There are several ways to address this issue:

(1) A Competitiveness Council, as envisaged by the SPP, could tackle one regulation at a time at the request of multinational corporations.

2) A Regulatory Commission could define public goals - e.g., defending the environment, safety, health - and then seek the most efficient and effective regulatory policy to advance that public interest. That policy would become the "North American default option."

4. Transportation and Communications. Trade has tripled in North America, and more than two-thirds of that trade is carried by trucks, and yet trucks still cannot cross the US-Mexican border despite a Supreme Court decision, and trucks are subject to about 54 different sets of regulations on the continent. Moreover, no new transportation corridor has been built to connect the three markets, and infrastructure at the border is woefully inadequate. This explains why some manufacturers believe it is cheaper to ship goods from Shanghai to Los Angeles than from Monterrey to Los Angeles.

a. Should a new transportation corridor be designed and built between Canada and Mexico? How should it be financed and managed?

b. What should be done to permit the free flow of trucking among the three countries within agreed rules on safety?

5. Labor/Immigration. This is one area in which the standards could be continental, particularly on working conditions and the rights of migrants, but policies would need to vary to take into account the disparities in income. The issues:

a. Should the US and Canada negotiate a common immigration policy?

b. What should be the rules for the treatment of immigrants?

c. Should there be a North American preference on immigration for the three countries?

d. Should a common set of labor rights be negotiated and enforced?

e. Should immigration policies take into account labor needs in each country?

f. Should there be a North American Passport to facilitate travel within the three countries, and to whom and how should these be given?

6. Education. The European Union spends as much as \$10 million in the three countries of North America to sponsor University-based European Union Centers, but the three countries do not provide any funds to promote the study of North America.

- a. Should the three governments of North America establish a fund of \$3 million each to support the establishment and development of Centers on North America in each of the three countries?
- b. Should the three governments provide more funds for scholarships to encourage student and faculty exchanges in the three countries?

7. Energy. The U.S. is the largest importer of energy, and its two largest sources are Canada and Mexico, and yet the market is not well-developed, and there are no unified approaches to conservation.

- a. What should be done to promote the development of additional energy sources in the three countries?
- b. What should be the elements of an effective conservation strategy in the three countries?

8. Institutions. North America has almost no credible institutions, and that explains why the governments as a group have been ineffective in addressing market failures – such as the peso crisis – and seizing new opportunities.

- a. Should the three governments establish a North American Commission or Advisory Council of five individuals from each of the three countries to develop an agenda and plans that could be utilized by the three Executives at annual summits?
- b. Should there be a permanent Court on Trade and Investment to replace the ad hoc dispute settlement mechanism?
- c. Should the three governments merge their two bilateral inter-parliamentary groups into a single North American parliamentary group, and should that group be staffed by the North American Advisory Council?

- Environment & Affects of Global Warming
- Integrated Energy Strategy for NA

Co-chair Comments

Agree - Huge imbalance in growth of labor force in MX vs US/CAN
As retirement eligible explode in US, money are going to MX

Peter
Longheed - what do we hope to accomplish @ NAF? What would we
do together collectively

George
Schulze - How do we bring together the varied interest of
the constituencies to reach common goals. Lets decide on what can
be done and do them.

Comm & Relationship ^{are} ~~are~~ unbalanced from US/CAN/MX

- Mex must understand its own security needs
- Rel to and to mil, Mex needs to have more understanding & confidence building

Importance of collaboration but we find our borders having to be a greater security concern.

What advice for measures Canada can make

NORTH AMERICAN VISION

There is a major lack of knowledge of what already exists. We need to reinforce/celebrate them
How to build on them?

Plausibility exists: WIN-LOSE is

Katrina - What's value of a 3 country Hampton team to respond to international disasters
How would US extend a hand?

Export license capabilities for Mexico?

PCA Report OCT 12-14

NUCLEAR
COAL GASIFICATION
SOLAR
GEO THERMAL

Fairmont
HOTELS & RESORTS

Geothermal plant in So California (Candian)

PROCONDOL
BUTANOL (BP)

NUCLEAR - MAKES ENGINES
DIVERSON - FOR MAKING ETHANOL
BIO FUELS

Internal combustion engines are 20% efficient
Electric engines are 95% efficient

CELLULOSE BIO FUEL

IF YOU CAN MAKE BEER, YOU CAN MAKE ETHANOL

\$35/barrel triggers fuel alternatives

OIL = TRANSPORTATION, NOT ELECTRICITY

COAL & NUCLEAR = ELECTRIC POWER

SOLIDIFICATION OF CO₂ - plant in Texas ^{cleaning gas + salt to change CO₂ to a solid}
40 companies (startups) are not planning on just subsidies to produce product

53¢ tariff on imported S. American sugar -- a great source of ETHANOL. REMOVING THAT TARIFF ~~caused~~ ^{collapses} the US ETHANOL market since imported sugar is so much cheaper than corn

Energy density of Ethanol is 70% of oil

CELLULOSE VS CORN-BASED ETHANOL