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THE U.S., ITS RELUCTANT SATELLITES, AND THE ISSUE OF DEEP INTEGRATION IN THE AMERICAS

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"The U.S. national security strategy will be based on a distinctly American internationalism…"

The National Security Strategy of the United States of America, September 2002, p. 1.

For over ten years, the North American Free Trade Agreement (NAFTA) has proven to be flexible enough to adapt itself to multiple asymmetrical integrations within the North American continent and sturdy enough to withstand any serious setbacks. This is quite an achievement when one compares it to the floundering of the talks surrounding the Free Trade Area of the Americas (FTAA) or to the standstill now affecting the European Union (EU) integration process since the "NO" vote on the European Constitution following the referendums held in France and the Netherlands, in the Spring of 2005.[1]

Today, NAFTA is still as strong as ever, and negociations within its ambit, particularly in the agricultural sector, are advancing according to the schedule agreed on in 1993, in spite of a mounting social opposition in Mexico.[2] In addition, upon entering its second decade since it first came into force, on January 1st 1994, there is now mounting pressure from both Mexico and Canada in favour of upgrading the accord in order to move toward « deep integration ». Incidentally, two observations should be made at this stage concerning this expression : the first pertaining to the fact that, because of differences in size between the NAFTA partners, the notion of « deep integration » has no relevance whatsoever in the US context. The second observation concerns the expression itself which, in the present case, bears little resemblance to the classical definition according to which « deep integration » refers to an economic integration that goes beyond the removal of barriers to trade towards

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[1] This does not mean that there are no hurdles ahead, since the political situation is quite volatile in Mexico, where Andres Manuel Lopez Obrador, ex-mayor of Mexico DF, and candidate of the *Partido de la Revolucion Democratica* (PRD, left), favoured to win the presidential elections in 2006, has come out quite critically, if not directly against NAFTA, at least against its neo liberal agenda. Meanwhile, in Canada, where the Liberal Party of Canada (LPC, center-right) is in a minority position, the government has for the past year been threatened by the Conservative Party of Canada (PCC, right), as well as by the « separatist » Bloc Québécois (BQ, center-left). If the LPC were to lose the next elections, the ensuing political instability could lead to the breakup of the country.

[2] See John Skorburg, NAFTA 2003 : What's on the Horizon?, April 19, 2002, American Farm Bureau Federation : « All agricultural tariffs between Mexico and the United States will be eliminated by January 1, 2008 ». On line : www.fb.com/issues/analysis/NAFTA_2003.html

the mutual recognition and subsequent harmonization of regulation and norms. In the present instance, deep integration has little to do with harmonization, understood as an agreement between parties to adapt their respective norms to a common rule or principle, but rather with the unilateral adjustment, on the part of both partners, to U.S. norms and standards.

Historically, the push for « deep integration » stemmed in large part from interior forces, and especially from commercial interests and others bent on intensifying integration at all levels between the three partners. In this sense, economic integration in North America was very much an open process compared to that of the EU, for instance. But since the events of September 11, 2001, the push for « deep integration » is spurred on by external factors which are intricately tied to strategic and security concerns. These external factors have come to supersede their internal counterparts and to exert even more pressure in setting up what some analysts have dubbed a « fortress North America », that is to say, in setting up a much more protective, if not protectionist, continental integration in North America.[3]

The unilateral implementation of requirements coming out of U.S. rule makers has met with greater urgency since September 11, 2001, as the spirit and content of the *Trade Act of 2002*,[4] and the *National Security Strategy of the United States of America* of September 2002 show all too well. Pressure in this regard has been quite forceful in North America as we shall see. In actual fact, and paradoxically, if these new imperatives go a long way towards explaining the failure of the FTAA negociations, they provide at the same time the major inspiration for the *Partnership for Prosperity and Security*, agreed to by president Fox of Mexico and prime minister Martin of Canada, when they met at president Bush's Crawford ranch near Waco, Texas, in April, 2005.

These remarks evoke two related questions which will be examined further on: the first has to do with the terms of economic integration as they are interpreted and applied by the U.S.,

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[3] One telling example of continental protectionism is the three year imposition by president Bush, on March 20, 2002, under Section 201 of U.S. trade law of temporary safeguard measures on key steel products, measures than did not apply to the other NAFTA partners, Canada and Mexico.

[4] Enacted, August 6, 2002.

for the U.S., on one hand, and these same terms as they are implemented in Mexico and in Canada, on the other. In this regard, inwardly looking, continental integration is not only an asymetrical process opposing economies of different sizes and levels of development, but continental integration should increase the might and advance the well-being of one to the detriment of the other two. At same time, outwardly looking, economic integration should promote U.S. dominance in world affairs, while restraining Canada's and Mexico's international maneuverability.[5] The second aspect has to do with the issue of free trade negociations on the part of each of the three governments with partners in the Americas and elsewhere. Here again, we must establish a clear distinction between before and after 9/11 or, better still, between before and after the Miami Summit of 2003, when the U.S. and Brazil failed to reach an agreement regarding further FTAA negociations. For all intents and purposes, as far Canada and Mexico are concerned, this failure impeded progress in their own negociations with other governments in the Americas, with the result that they both sought to negociate FTAs with partners in other parts of the world. In the U.S. case, the government responded with a new strategy and swiftly opened up trade negociations with, in particular, Central America and the Dominican Republic, as well as with three out of five Andean countries, all the while negociating FTAs with governements ouside the Americas. This consequence is all the more interesting as it would allow for the establishment of a connection between deeper continental integration on the part of Mexico and Canada, and their reduced presence in the Americas, a situation that would not apply in the case of the U.S., since continental integration would reap more dividends, and not less. In other words, deeper integration would be a political drain for the former partners, and a boon for the latter.

Our analysis comprises two parts. First, we will examine and explore the multi layered processes of integration within North America and, second, we will offer an succinct overview of bilateral FTAs between the US and other countries in the Americas. Our conclusion will point in the direction of a growing differentiation between a NAFTA-type

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[5] Arturo Guillen R. uses the expression « subordinate integration » to describe the nature of the relation between Mexico and the U.S. This is an interesting expression and could, as we shall see, apply to Canada as well. See his : *Mexico hacia el siglo XXI. Crisis y modelo economico alternativo*, Mexico, Plaza y Valdes, 2001, page 86.

deep integration and integration as it prevails in other regional bilateral or plurilateral contexts.

WHAT IS THE MEANING OF « DEEP INTEGRATION » IN NORTH AMERICA?

Considering long term and deeply seated anthropological, geographical and historical issues, integration within North America is bound to be a multifaceted process covering a host of collective endeavours and affecting many value systems. But, for our present purpose and in order to shed some light on the extent of the integrative processes now under way within North America, we will cover four aspects or dimensions of integration in the following sections: economic integration, institutional integration, infrastructure integration and, finally, security integration.[6] Clearly, not all of these dimensions nor all aspects of each type of integration should be attributed to NAFTA, but nevertheless, NAFTA plays and has played an important role, either directly or indirectly, in reinforcing all of them.

Economic integration

Only two out of the 23 major regional economic agreements actually in force throughout the world have had significant integrative effects : the European Union and NAFTA. Between 1980 and 2001, regional trade as a percentage of total exports grew from 60,8 to 61,2% in the former case and from 33,6% to 54,8% in the latter. None of the other 21 agreements come close to these levels of integration, and even ASEAN or MERCOSUR, the third and fourth in importance in terms of intra-regional trade, saw their internal trade barely pass the 20% mark between these dates. In fact, all nine regional economic agreements in Africa, the six in Latin America and four in Asia, have had at best mitigated results, at worse negative ones.[7]

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[6] The first aspect will be given a broader treatement here, whereas we will only provide one example in each of the three other instances.

[7] According to data provided by UNCTAD. See : D. Brunelle, « La cinquième rencontre ministérielle de l'OMC », Observatoire des Amériques, 2003. On line : www.ameriques.uqam.ca

In North America, as Table 1 below shows, intra-zone trade by origin as well as by destination grew by close to 300% between 1990 and 2003. Mexico's exports to the US accounted for 70,45% of total exports in 1990, and for 88,91% in 2003. Canada's exports to the US accounted for 75,77% of total exports in 1990, and for 85,88% in 2003. These progressions are even more impressive when one looks at bilateral trade with the US as a percentage of GDP. In the case of Canada, exports to the US stood at 16,5% of GDP in 1990, and at 27,2% in 2003. In Mexico, the corresponding figures are 7% and 23,9%, while in the U.S., exports to Canada and Mexico stood at 1.9% in 1990 and 2.5% of GDP in 2003.

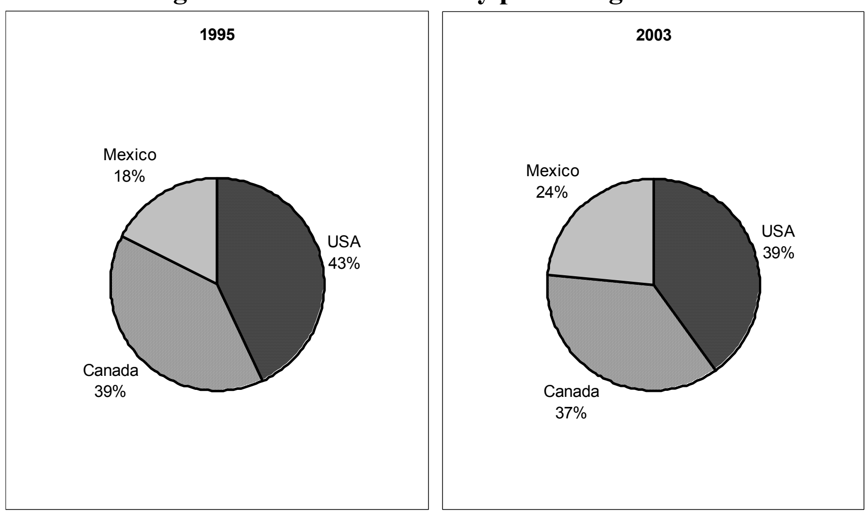
Table 1. Intra-NAFTA TRADE (Billions of US dollars)

Year / Country		**1990**	**1991**	**1992**	**1993**	**1994**	**1995**	**1996**	**1997**	**1998**	**1999**	**2000**	**2001**	**2002**	**2003**
Intra-NAFTA Trade	Origin	220	227	264	292	340	378	420	479	509	569	662	618	607	630
	Destination	*225*	*232*	*272*	*301*	*352*	*391*	*431*	*492*	*517*	*577*	*679*	*636*	*624*	*650*
Statistical discrepancy		*5*	*5*	*8*	*9*	*12*	*13*	*11*	*13*	*8*	*8*	*17*	*18*	*17*	*20*
United-States															
numbers	Origin	95	100	125	136	154	163	182	215	230	249	281	254	246	251
	Destination	*113*	*113*	*140*	*158*	*186*	*216*	*239*	*268*	*282*	*324*	*387*	*366*	*362*	*379*
% of total	Origin	42,9	43,9	47,4	46,4	45,4	43,2	43,3	45,0	45,1	43,8	42,5	41,2	40,5	39,9
	Destination	*50,4*	*48,8*	*51,5*	*52,5*	*52,7*	*55,3*	*55,5*	*54,5*	*54,5*	*56,1*	*57,0*	*57,6*	*58,0*	*58,3*
Canada															
numbers	Origin	94	93	101	113	132	148	160	172	178	203	235	223	217	230
	Destination	*83*	*85*	*91*	*101*	*115*	*128*	*134*	*152*	*155*	*166*	*179*	*167*	*163*	*172*
% of total	Origin	42,5	41,1	38,2	38,7	38,8	39,2	38,1	35,8	35,0	35,6	35,5	36,1	35,7	36,6
	Destination	*36,8*	*36,8*	*33,4*	*33,5*	*32,7*	*32,6*	*31,2*	*30,8*	*30,0*	*28,7*	*26,4*	*26,2*	*26,2*	*26,5*
Mexico															
numbers	Origin	32	34	38	43	54	67	78	92	101	117	146	141	144	148
	Destination	*29*	*34*	*41*	*42*	*51*	*47*	*58*	*72*	*80*	*88*	*113*	*103*	*99*	*99*
% of total	Origin	14,6	15,0	14,4	14,9	15,7	17,6	18,7	19,2	19,9	20,6	22,0	22,7	23,8	23,5
	Destination	*12,8*	*14,5*	*15,1*	*14,0*	*14,6*	*12,0*	*13,4*	*14,7*	*15,4*	*15,2*	*16,6*	*16,2*	*15,9*	*15,2*

Source : United Nation (2005), « Comtrade », *UN Commodity Trade Statistics Database*, http://unstats.un.org/unsd/comtrade/

The figure below illustrates the relative importance of intra-zone trade for the three NAFTA partners. Between 1995 and 2003, percentage of intra-zone trade by origin actually fell from 43% to 39% for the US, and from 39% to 37% for Canada, while growing from 18% to 24% in Mexico's case.

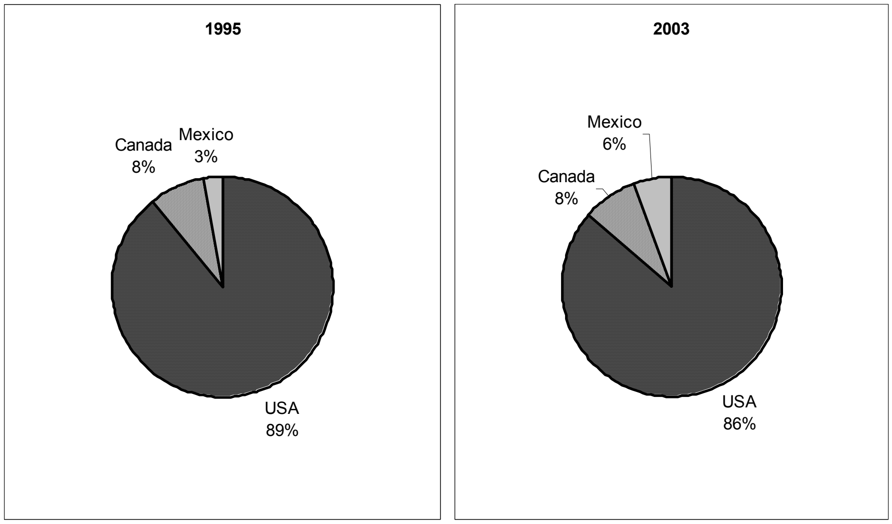
Figure 1. NAFTA : origin of intra-zone trade by percentage



Source : United Nation (2005), « Comtrade », *UN Commodity Trade Statistics Database*, **http://unstats.un.org/unsd/comtrade/**

On the other hand, as Figure 2 below shows, if specialization in intra-zone trade has secured greater access, in relative terms, to world markets for Mexico (from 3% in 1995 to 6% in 2003) at the expense of the U.S. (89% in 1995 and 86% in 2003), in this case the increase in extra-zone importations is basically attributable to the strategy applied by U.S. firms in Mexico.

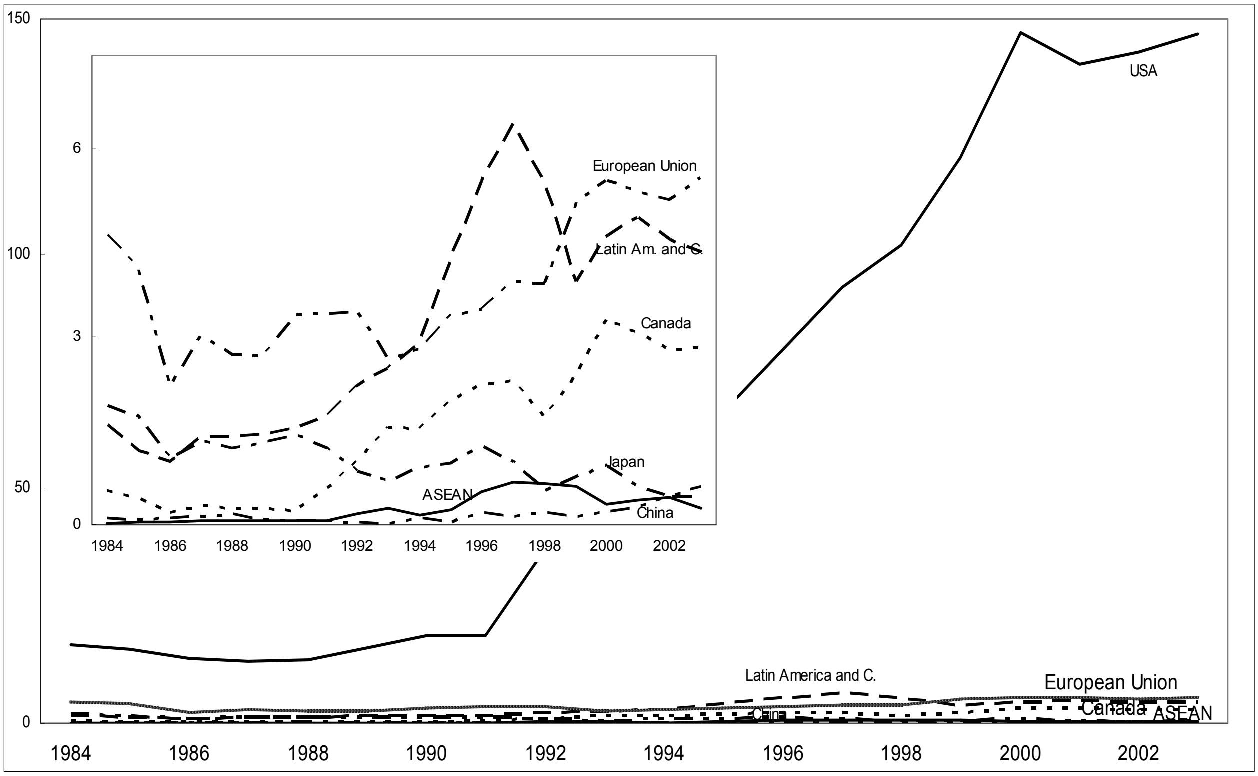
Figure 2. NAFTA : repartition of extra-zone importations by percentage



Source : United Nation (2005), « Comtrade », *UN Commodity Trade Statistics Database*, **http://unstats.un.org/unsd/comtrade/**

The two graphics below show the extent of U.S. market dominance for both Mexico and Canada, and give at the same time, in an insert, the evolution of exports to other parts of the world excluding the U.S.

Graph 1. Mexican exports by country and region.
Insert : exports by country and region excluding the U.S. (billions of dollars)

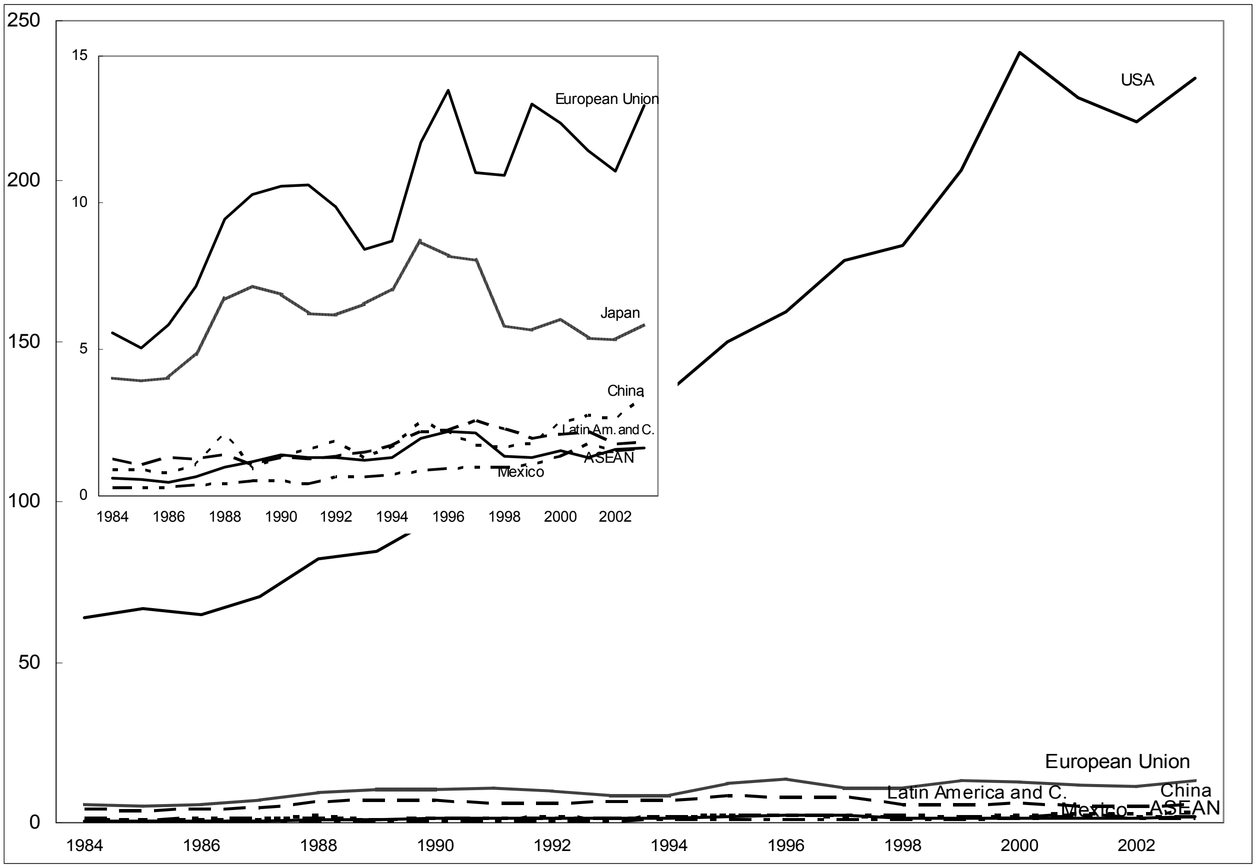


ASEAN: Association of Southeast Asian Nations
Source : **United Nation (2005), « Comtrade »,** *UN Commodity Trade Statistics Database*, **http://unstats.un.org/unsd/comtrade/**

As far as the Mexican economy is concerned, exports to Canada have progressed notably under NAFTA, whereas those with the EU did not catch up since their past peak in1996.

In Canada’s case, exports are still concentrated on two markets: the U.S. and the EU, even though importations from China are progressing rapidly.

Graph 2. Canadian exports by country and region.
Insert : exports by country and region excluding the U.S. (billions of dollars)



ASEAN: Association of Southeast Asian Nations
Source : United Nation (2005), « Comtrade », *UN Commodity Trade Statistics Database*, **http://unstats.un.org/unsd/comtrade/**

This being said, the nature of economic integration in North America is quite different from that of economic integration in the EU, and in other contexts as well. Whereas economic integration operates first and foremost through trade between firms and between sectors, in North America, intra firm trade, as well as activities of majority owned foreign affiliates (MOFAs) represent two dominant features of continentalization.[8]

[8] On this issue, see Christian Deblock and Éric Jasmin, *Mondialisation et régionalisation des investissements : les investissements directs des Etats-Unis dans les Amériques*, Cahier de recherche Continentalisation 05-03, February 2005. On line : www.ceim.uqam.ca

These elements all point in the same direction to wit, contrary to what some analysts contended at the time, continental integration did not act as a springboard for either Mexico or Canada, since both economies are much more dependent today on U.S. firms and their strategy than they were previously.

Integration through institutions

As is well known, contrary to the EU, integration in North America does not operate through common public institutions, but this does not mean that economic integration is exclusively market based and driven solely by private actors. On the contrary, as far as integration between the US and Canada is concerned, in a host of sectors -from culture, to sports[9], to education[10]- integration is done through regulatory agencies controlled in large part by the US. The energy sector is a particularly interesting case in point because of its sensitivity to issues of security.[11]

In this sector, electricity supply and distribution between Canada and the US has operated through a body called the *North American Electric Reliability Council* (NERC). As Figure 3 shows, the NERC has carved out the continent North of the Rio Grande into ten regional commissions, three of which, in the East, the Centre and in the West, integrate adjacent provincial territories. British Colombia and Alberta, together with eleven Western States, form part of the *Western Systems Coordinating Council* (WSCC), while Saskatchewan and Manitoba, together with six Central States form part of the *Mid-continent Area Power Pool* (MAPP), and the six remaining provinces, together with seven New England States are part of the *Northeast Power Coordination Council* (NPCC).[12]

[9] After all, professional hockey teams of the US and Canada have been operating and competing inside an institution founded in 1917 called the National (*sic*) Hockey League.
[10] These are not the only aspects, since there is also a spill over effect of NAFTA in other fields as well, to wit, in the social sector. See Bruce Campbell, *From Deep Integration to Reclaiming Sovereignty : Managing Canada-U.S. Economic Relations Under NAFTA*, Canadian Center for Policy Alternatives, May 2003. On line : http://www.policyalternatives.ca
[11] See Joseph M. Dukert, « The Evolution of the North American Energy Market », Center for Strategic and International Studies, Policy Papers on the Americas vol. X, Study 6, Oct. 19, 1999. On line : www.csis.org/americas/pubs/
[12] The *Northeast Power Coordination Council* is an organism which has the mandate to promote the reliability and efficiency of the electrical services provided by transport networks for the American North-East. The

Figure 3: The NERC's Regional Commissions Cross National Frontiers

ECAR : East Central Area Reliability Coordination Agreement
ERCOT : Electricity Reliability Council of Texas
FRCC : Florida Reliability Coordinating Council
MAAC : Mid-Atlantic Area Council
MAIN : Mid-America Interconnected Network
MAPP: Mid-Continent Area Power Pool
NERC North American Electric Reliability Council
NPCC : Northeast Power Coordinating Council
SERC : Southeastern Electric Reliability Council
SPP : Southwest Power Pool
WSCC : Western Systems Coordinating Council
Source : Dukert (1999).

The geographical delimitation of these boundaries reflect an inescapable reality, e.g. the carving up of the Canadian economic union according to the requirements of U.S. major

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council is responsible for the establishment of policies and regulations concerning the planning, the exploitation and the maintenance of the electrical networks. Hydro-Québec, a publicly owned utility, is member of the NPCC through its intermediary, TransÉnergie. See on line : www.hydroquebec.com
Hydro Québec became member of the *Eastern Connection* in July, 1998.

economic hubs. In turn, these forces consolidate North-South axis of development within Canada to the detriment of the East-West patterns of exchanges that have been the backbone of Canadian developement since Confederation. For the time being, as far as Mexico is concerned, only the State of Baja California del Norte is integrated into the NERC.

When it was originally set up, in 1965, the NPCC was a purely voluntary organization, but in recent years, pressures have been applied in favour of the creation of a full-fledged regulatory agency, the *North American Electric Reliability Organization* (NAERO) with powers to compel members to respect their obligations and commitments, particularly those entered into under the Canada U.S. Free Trade Agreeement (CUFTA) of 1989.[13] The rationale behind this change is well spelled out in the following excerpt by two analysts :

> Federal legislation is required to establish an independent, industry-led self-regulatory electric reliability organization (ERO) to ensure the continued reliability of the interconnected, high-voltage transmission grid in North America. The existing scheme of voluntary compliance with industry reliability rules is no longer adequate for today's competitive electricity market. The grid is now being used in ways for which it was not designed, and there has been a quantum leap in the number and complexity of transactions. The users and operators of the transmission system, who used to cooperate voluntarily on reliability matters, are now competitors without the same incentives to cooperate with each other or to comply with voluntary reliability rules. As a result, there has been a marked increase in the number and seriousness of violations of voluntary reliability rules. All of these changes are jeopardizing the very stability of the electric system upon which our economy and our society depends.

There is little or no effective recourse today under the current voluntary system to correct such behavior. Not a single bulk-power system reliability standard can be enforced effectively today by either NERC or FERC. (…) Finally, FERC has no jurisdiction over the portions of the interconnected grid that extend into Canada and Mexico. Reliability rules must be made mandatory and enforceable, and they must be applied fairly to all participants in the electricity marketplace. To meet this need, NERC and a broad coalition of industry, state, and consumer organizations have agreed on a legislative proposal that would create an ERO to develop and enforce mandatory reliability rules. (…)The proposal follows the model of the Securities and Exchange Commission in its oversight of securities industry

[13] According to the Hydro-Québec web site, the setting up of the NAERO is basically tied to the issue of competitiveness. See on line : www.hydroquebec.com

self-regulatory organizations (the stock exchanges and the National Association of Securities Dealers).[14]

As the above quotation makes quite clear, the central issue here is the substitution of mandatory and enforceable reliability rules to voluntary reliability rules, on the one hand, and the need to create a broad coalition, on the other. These dimensions are, rightly so, intimately tied to one another, since both legality and legitimacy play a foundational role in the establishment of the validity of a mandatory rule or norm or law. But at the same time, this raises the question of what role, if any, a foreign political entity, or a foreign consumer organization, can play in supporting the validity of a norm adopted under a jurisdiction with which it has no dealings. We see here at play, once more, the lopsided effect of an integration process which relies basically on the needs and exigencies of a partner who occupies such a dominant position in relation to the other two, that the legitimacy of the norm as seen from their own point of view occupies a blind spot in the eyes of the dominant power in question. This inescapable conclusion is the direct result of the overspill or of the extension of a national democratic process into an international arena without international political and social accountability.

Integration through infrastructure

The idea here is to draw attention to the fact that the advent of NAFTA has consolidated a major shift in the development of transportation infrastructure within North America, a shift that affects primarily both road and rail transports. Whereas, historically, national integration in the three countries relied on the development of transportation facilities e.g.

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[14] The article by David R. Nevius, NERC Vice President, and David N. Cook, NERC General Counsel, goes on to say : « On April 25, 2002, the United States Senate passed a comprehensive electricity bill (H.R. 4) that contains the NERC consensus reliability proposal. The bill will ensure that a new North American electricity reliability organization operates fairly and effectively. The language expressly protects the important roles of the states and regions, while authorizing the creation of an industry-based, North America-wide organization with FERC providing oversight in the United States while ensuring that Canadian and Mexican interests in the reliability of the interconnected North American electric grid are also maintained. Senate and House conferees are meeting to resolve differences between Senate and House-passed energy bills. We expect them to pass a final energy bill that includes NERC's reliability provisions before year-end ». On line : NAERO.com
See also : http://www.solcomhouse.com/electricity.htm

roads, trains, and waterways, in an East-West axis, recent exchange patterns now call for the implementation of transportation corridors in a North-South axis.

In 2002, the number of crossings of individuals at the Canada-U.S. border stood at 200 million, over half a million each day. The same year, 11 million trucks crossed the border, or 30 000 each day. On the Mexico-U.S. border, there are 540 million crossings per year, or 1,5 million a day.

A recent study on the subject came to the following conclusion :

> The pace of growth is such that market forces, by themselves, cannot deal effectively with transportation as a system. Public-private partnerships are springing up, and government at all levels has an important role to play. Just what this role should be is still unclear, because the problems of rapid transportation growth are so multi-faceted, complex and incompletely understood.[15]

The North American Forum on Integration defines the issue in these terms :

> Following the implementation of NAFTA, coalitions of interest have been formed in order to promote specific transport channels, to develop the infrastructures of these channels and to propose jurisdictional amendments to facilitate the crossing of borders. These coalitions include businesses, government agencies, civil organizations, metropolitan areas, rural communities and also individuals, wishing to strengthen the commercial hubs of their regions.[16]

The solution that is being contemplated, as far as road transportation is concerned at least,[17] is the creation of trade corridors. One such corridor, in the East, proposes to draw the three countries closer together :

> The central eastern region has two trade corridors, one urban, which passes through the largest North American cities and the industrial basins of the central eastern region, and another which is rural and which passes through the Great Plains in the U.S. and through the Canadian Praries.

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[15] John D. Wirth, *Trade Corridors in North America*, Symposium Report, October 1-3. 1999. (northamericaninstitute.org).
[16] From the North American Forum on Intergration (NAFI/FINA) website : http://www.fina-nafi.org/eng/integ/corridors.asp?langue=eng&menu=integ#est
[17] So far as rail transport is concerned, the shift toward continental integration is much more advanced.

The urban corridor of NAFTA brings half of the North American population to within a single day's journey by highway between Montréal, Canada, and Mexico. The corridor passes through the industrial stronghold of Canada and its largest market. It enters the United States at Port Huron and at Windsor, where it crosses the Ambassador bridge, the busiest bridge in North America, to join Detroit, Michigan, where the giants of the automobile industry are located. In the United States, the urban corridor follows "Corridor 18", which extends to the lower Rio Grande valley in Texas, through Indianapolis, Indiana and Memphis, Tennessee.[18]

Some projects are even more ambitious since they would implement a complete integration of different means of transportation in a single infrastructure.

Interstate 69, for example, is a planned 1600 mile national highway connecting Mexico, the U.S., and Canada. Eight states are involved in the project: Once completed, I-69 will extend from Port Huron, Michigan to the Texas/Mexico border.

In Texas, I-69 will be part of the Trans-Texas Corridor (TTC) project – a 4000 mile network of existing and new toll roads – which will create the largest private highway system in America. Interstate 35, also called the Oklahoma to Mexico/Gulf Coast element, will be developed as part of the TTC.

Plans call for the TTC to be 1200 feet wide with 10 vehicle lanes (three passenger vehicle lanes in each direction), truck lanes (two in each direction), six rail lines (three in each direction), two tracks for high-speed passenger rail, two for commuter rail and two for freight. The corridor will include a 200 feet right-of-way for oil, gas, electric and water lines.[19]

In fact, traffic congestion is a permanent concern since the implementation of a just-in-time production and distribution model spurred on by the extension of intra-firm trade on both

[18] See the NAFI/FINA website, *op. cit*.
[19] Internationalization of U.S. Roads Has Begun, by Phyllis Spivey, News With Views, June 10, 2005. On line : http://www.cuttingedge.org/news_updates/nz1896.htm

sides of the North and South borders. This issue, in particular, as well as the other two presented above, go a long way towards explaining the level of sensitivity that the continental economy as a whole experienced following the events of September11, 2001, and the subsequent closing down of both U.S. borders. This shutting of the borders, and the subsequent formation of long queues of trucks extending to 30 kilometers inland, and more, had a traumatic effect on businesses and business organizations both in Canada and in Mexico.

Integration and security

Since 9/11, security concerns have gained more urgency and tend to either impregnate or to trump each and every other issue. This new approach was clearly spelled out in *The National Security Strategy of the United States of America* of September, 2002, and it has been repeatedly taken up since, as former Canadian diplomat, John J. Noble, reminded the Standing Committee on Foreign Affairs and International Trade:

> The US Ambassador to Canada has stated recently that US security concerns trump Canadian economic concerns. The challenge for Canadian policy makers is how to find a way to mesh these two objectives in a manner which both sides find acceptable.[20]

Canada rose quickly to the challenge and committed itself to maintaining a secure infrastructure as outlined in the *Smart Border Declaration and Action Plan*, signed December 12, 2001. The following year, Thomas d'Aquino, president of the Canadian Council of Chief Executives (CCCE), launched the *North American Security and Prosperity Initiative*. This was followed by the setting up of a trilateral task force,[21] which later issued a Statement calling for « the establishment of a North American Advisory Council (NAAC) that would prepare and monitor moves to further integrate the region over the next five years ». The Statement goes on to say : « The boundaries of the community would be

[20] Statement to the Standing Committee on Foreign Affairs and International Trade on Canadian Foreign Policy Objectives, by John J. Noble, retired Canadian diplomat and Director of Research and Communications at the Centre for Trade Policy and Law, Carleton University. March 27, 2003. On line: www.carleton.ca/ctpl/pdf/papers/scfaitnoble.pdf

[21] The task-force was co-chaired by former Canadian Deputy Prime Minister and Minister of Finance, John P. Manley, former Mexican Finance Minister, Pedro Aspe, and former Massachusetts Governor William Weld.

defined by a common external tariff and an outer security perimeter. Within this area, the movement of people and products would be legal, orderly, and safe ».[22] Nevertheless, this does not imply free movement of people across borders, since the U.S. will make visas compulsory for both Canadian and Mexican citizens as of 2008.

Finally, March 23, 2005, president Bush convened a North American summit at his ranch in Waco, Texas, where he met with president Fox and Prime Minister Martin. The three then signed *The Security and Prosperity Partnership of North America* which carries the following objectives :

(i) Implement common border security and bioprotection strategies;
(ii) Enhance critical infrastructure protection, and implement a common approach to emergency response;
(iii) Implement improvements in aviation and maritime security, combat transnational threats, and enhance intelligence partnerships; and
(iv) Implement a border facilitation strategy to build capacity and improve the legitimate flow of people and cargo at our shared borders;
(v) Improve productivity through regulatory cooperation to generate growth, while maintaining high standards for health and safety;
(vi) Promote sectoral collaboration in energy, transportation, financial services, technology, and other areas to facilitate business; and invest in our people;
(vii) Reduce the costs of trade through the efficient movement of goods and people; and
(viii) Enhance the stewardship of our environment, create a safer and more reliable food supply while facilitating agricultural trade, and protect our people from disease.[23]

The partnership establishes Ministerial-led working groups that « will respond to the priorities of our people and our businesses, and will set specific, measurable, and achievable

[22] On line : www.cfr.org/…/trinational_call_for_a_north_american_economic _and_ security_ community_by_2_2010.php-31k-7Aug2005
[23] Canada, Office of the Prime Minister. On line : http://pm.gc.ca/eng/news.asp?id=443

goals. They will identify concrete steps that our governments can take to meet these goals, and set implementation dates that will permit a rolling harvest of accomplishment ».[24]

[24] *Idem*.

THE US STRATEGY AND OTHER FTAS IN THE AMERICAS

After having given a broad outline of the deep integration processes now underway in North America, what can we make of the U.S.'s recent initiatives in negociating FTAs ? Analysing the outcomes of the FTAA negociations, José Antonio Rivas-Campos and Rafael Tiago Juk Benke ended their study with three possible scenarios, ranking them « from minimalist to maximized liberalization scenarios », and they added :

> Whether the FTAA project will be successful or not is still uncertain. However it seems clear that the FTAA might be generating part of the regionalism that is occurring in the Western Hemisphere, i.e. several FTAs are being negociated and created in spite of the results of the broader project. This situation brings us to the debate of regionalism versus multilateralism, in which one particular argument could be highlighted : the creation of FTAs in the Americas will, in many aspects, supersede unstable preferential systems (e.g. GSP), bringing more stability and certainty to the trade flows, business and investments in the region, not to mention further political, social, environmental and security implications for the region.[25]

This comment points to the fact that there are probably less contradictions between the FTAA negociations and parallel multiple FTA negociations than one would have suspected. In fact, even before the U.S. and Brazil, the co-presidents of the last phase of the FTAA negociations, entered into the ill-fated compromise negociated during the mini-ministerial summit convened at Landsdowne, in November, 2003, a few weeks before the Eight Ministerial meeting held in Miami later that month[26], it had been clear for quite some time, that the FTAA would not and could not be a single undertaking. After all, more than ten years after it came into force, even NAFTA is not a single undertaking, and will not be one in the foreseeable future, as the analysis in the previous section has shown.

In this regard, bilateral or plurilateral FTAs should not be interpreted so much as second best options to an FTAA, or even as stepping stones towards a broader agreement, but more

[25] José Antonio Rivas-Campos and Rafael Tiago Juk Benke (2003), « FTAA Negociations : Short Overview », *Journal of International Economic Law* 6(3), 661-694, at page 682.
[26] The compromise in question was all about the implementation of a so-called *new duality*, according to which the FTAA negociations were set on a two-tier track, with one set of basic and less demanding issues agreed to by all, and the remainder being negociated on a bilateral or sub-regional level. See the Ministerial declaration as posted by *U.S. Commercial Service* in Colombia : www.buyusa.gov/columbia.

as means of spreading a complex network of firms and businesses which can use these agreements as so many levers in their need for expansion and greater integration of their commodity chains. The office of the U.S. Trade Representative recognizes as much when it states that such bilateral agreements "deepen U.S. strategic and economic interests in Asia, the Middle East and Latin America."[27] Nevertheless, in considering the two most recent FTAs, the Central American (CAFTA-DR) and the Andean FTA under negociations with three out of the five Andean countries[28], one should not forget that these agreements, as seen from a U.S. perspective at least, do not carry the weight of either NAFTA or the Chilean FTA of 2003. In fact, according to the extensive study carried out by the U.S. International Trade Commission, « it is quite clear that the major multilateral agreement (the Tokyo and Uruguay Round Agreements) have had more important effects on the economy than have the preferential agreements (U.S.-Israel, U.S.-Canada, and NAFTA)[29] which in turn, as we saw in the preceeding section, have had more profound impacts on the U.S. economy, than an agreement with either Central America or the Andean countries will ever have.

But this does not imply that an FTA with Central America is not an important issue, on the contrary, since this region with a population of 38 million, occupies the 16th rank among U.S. commercial partners, before Italy. Tables 2 and 3 below show the importance of both exports and imports of the Central American Common Market (CACM) compared to that of other sub-regions in Latin America. As far as exports are concerned, the CACM countries rank second after MERCOSUR, and on the side of imports, they rank third, basically because of the importance of petrol imports from Venezuela to the U.S.

Furthermore, as the data from Table 2 below show, U.S. exports to the CACM now rank second in importance behind exports to the MERCOSUR which have declined sustantially over the past few years. They stood at 10 billions US dollars in the first case and at over 14

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[27] Office of the USTR.
The US has FTAs with Andean Countries (Bolivia Colombia, Ecuador and Peru), Australia, Bahrain, Chile, Central America, Israel, Jordan, Morocco, Panama, Singapore, Southern African Customs Union, while the European Union has bilateral trade agreements with 35 countries and is negotiating BTAs with 15 more.
[28] Columbia, Peru and Ecuador are part of these negociations, Bolivia acts as an observer, while Venezuela is not involved. On ther other hand, negociations of an FTA with Panama have been under way since April, 2004.
[29] See U.S. International Trade Commission, *The Impact of Trade Agreements : Effect of the Tokyo Round, U.S.-Israel FTA, U.S.-Canada FTA, NAFTA, and the Uruguay Round on the U.S. Economy*, Publication 3621, Washington, DC, August 2003, page iii.
On line : www.usitc.gov

billions US dollars in the second. If we add U.S. exports to the Dominican Republic, the CAFTA-DR accounts for about the sam eamount as MERCOSUR does.

Table 2. U.S. exports to Latin America, excluding Mexico (In billions of dollars)

	CARICOM	**CACM**	**.Andean Community**	**MERCOSUR**	**Chili**	**Panama**	**Dominican Rep**	**Total Latin America(excl. Mexico)**
1984	2 164	1 604	6 276	3 666	805	736	642	15 893
1985	1 856	1 560	5 803	4 005	681	667	741	15 314
1986	1 934	1 644	5 831	5 062	823	704	918	16 917
1987	1 994	1 825	6 509	5 360	796	742	1 140	18 366
1988	2 233	2 199	7 922	5 595	1 065	633	1 360	21 008
1989	2 843	2 577	6 412	6 129	1 411	729	1 636	21 736
1990	2 664	2 935	6 739	6 693	1 672	867	1 643	23 214
1991	2 646	3 285	8 587	8 783	1 839	978	1 724	27 842
1992	2 391	4 292	10 943	9 602	2 455	1 098	2 096	32 877
1993	2 693	4 773	10 209	10 580	2 605	1 191	2 325	34 375
1994	2 610	5 351	10 890	13 682	2 776	1 276	2 795	39 380
1995	3 599	6 026	12 787	17 014	3 613	1 391	3 016	47 446
1996	3 645	6 353	12 735	18 596	4 132	1 377	3 183	50 022
1997	4 106	7 452	15 540	23 181	4 375	1 538	3 928	60 119
1998	4 189	8 415	15 340	22 418	3 985	1 752	3 977	60 076
1999	3 866	8 452	11 734	19 192	3 079	1 741	4 076	52 140
2000	4 320	9 036	12 107	21 027	3 455	1 609	4 435	55 990
2001	4 172	9 009	12 419	20 645	3 130	1 333	4 419	55 127
2002	4 055	9 814	11 322	14 636	2 612	1 407	4 241	48 086
2003	4 440	10 830	9 891	14 464	2 719	1 848	4 182	48 374

Source : United Nation (2005), « Comtrade », *UN Commodity Trade Statistics Database*, **http://unstats.un.org/unsd/comtrade/**

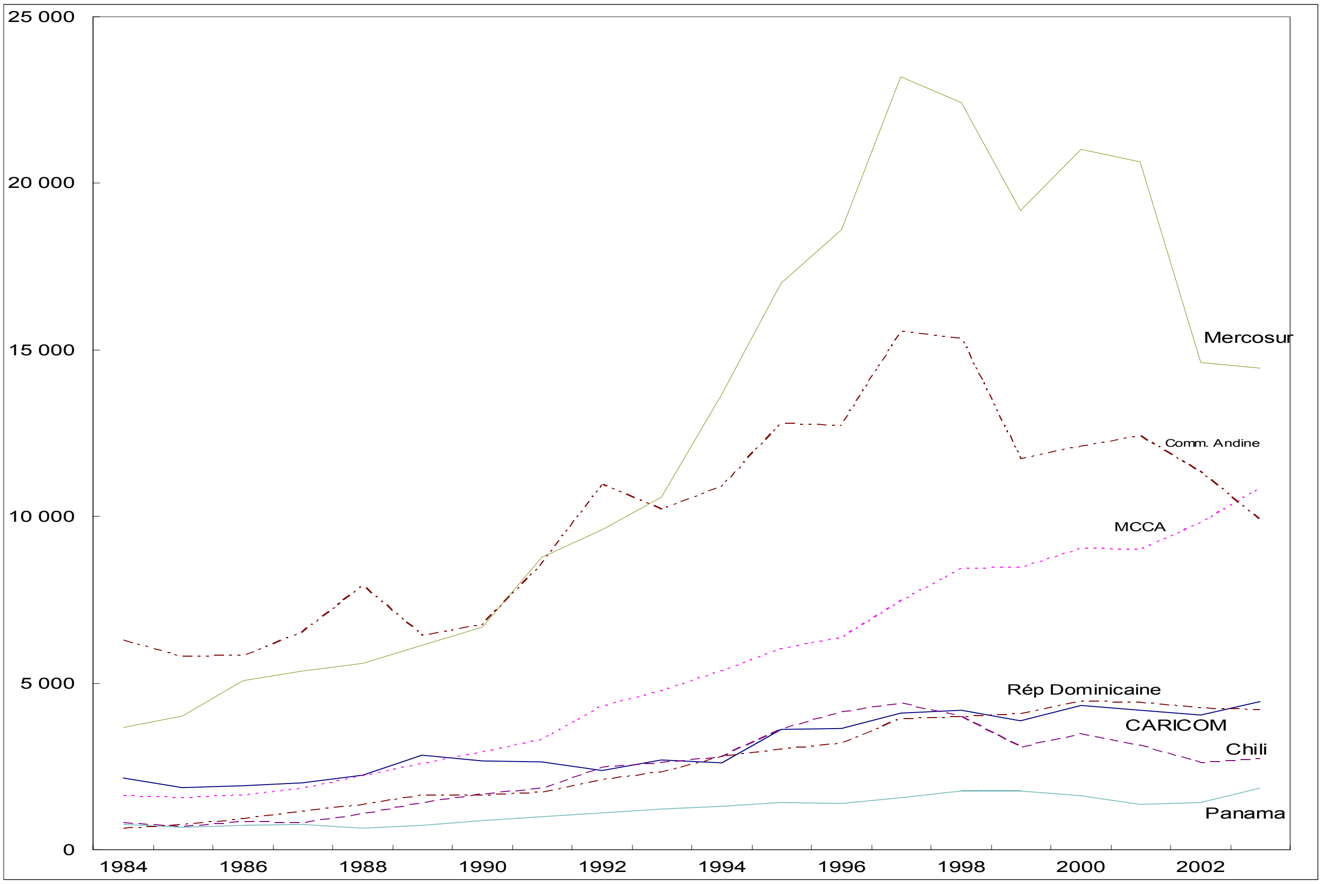
Table 3. U.S. importations from Latin America, excluding Mexico (Billions of dollars)

	CARICOM	CACM	Andean Community	MERCOSUR	Chili	Panama	Dominican Rep.	Total Latin America (excl. Mexico)
1984	2 767	1 948	11 299	9 484	779	347	921	27 545
1985	2 466	1 913	11 414	9 450	780	462	917	27 402
1986	1 912	2 256	9 943	8 377	852	410	1 033	24 782
1987	2 006	2 149	10 515	9 846	990	399	1 098	27 004
1988	1 986	2 152	10 060	11 758	1 216	291	1 384	28 847
1989	2 090	2 519	12 548	10 809	1 406	292	1 649	31 314
1990	2 305	2 811	15 812	10 509	1 481	248	1 756	34 922
1991	2 137	3 251	14 086	8 750	1 409	286	2 030	31 949
1992	2 012	4 050	14 055	9 487	1 542	268	2 431	33 845
1993	2 147	4 605	14 460	9 550	1 637	301	2 733	35 434
1994	2 362	5 141	15 415	11 328	1 975	348	3 166	39 734
1995	2 454	6 255	17 747	11 377	2 074	329	3 480	43 716
1996	2 557	7 271	21 688	11 765	2 468	379	3 642	49 770
1997	2 647	8 856	23 566	12 420	2 555	400	4 416	54 860
1998	2 604	9 712	18 865	13 009	2 767	328	4 524	51 808
1999	2 998	11 491	22 477	14 628	3 219	393	4 348	59 555
2000	3 944	12 312	31 522	17 870	3 592	324	4 461	74 025
2001	3 939	11 582	26 561	18 541	4 020	304	4 262	69 210
2002	3 844	12 359	26 115	20 234	4 300	312	4 235	71 400
2003	6 098	12 971	29 820	22 578	4 251	308	4 486	80 512

Source : United Nation (2005), « Comtrade », *UN Commodity Trade Statistics Database*, **http://unstats.un.org/unsd/comtrade/**

CAFTA-DR ends most tariffs on more than $32 billion in goods traded between the U.S. and Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, and the Dominican Republic.

Graph 3. U.S. Exports to Latin America, excluding Mexico (In millions of dollars)



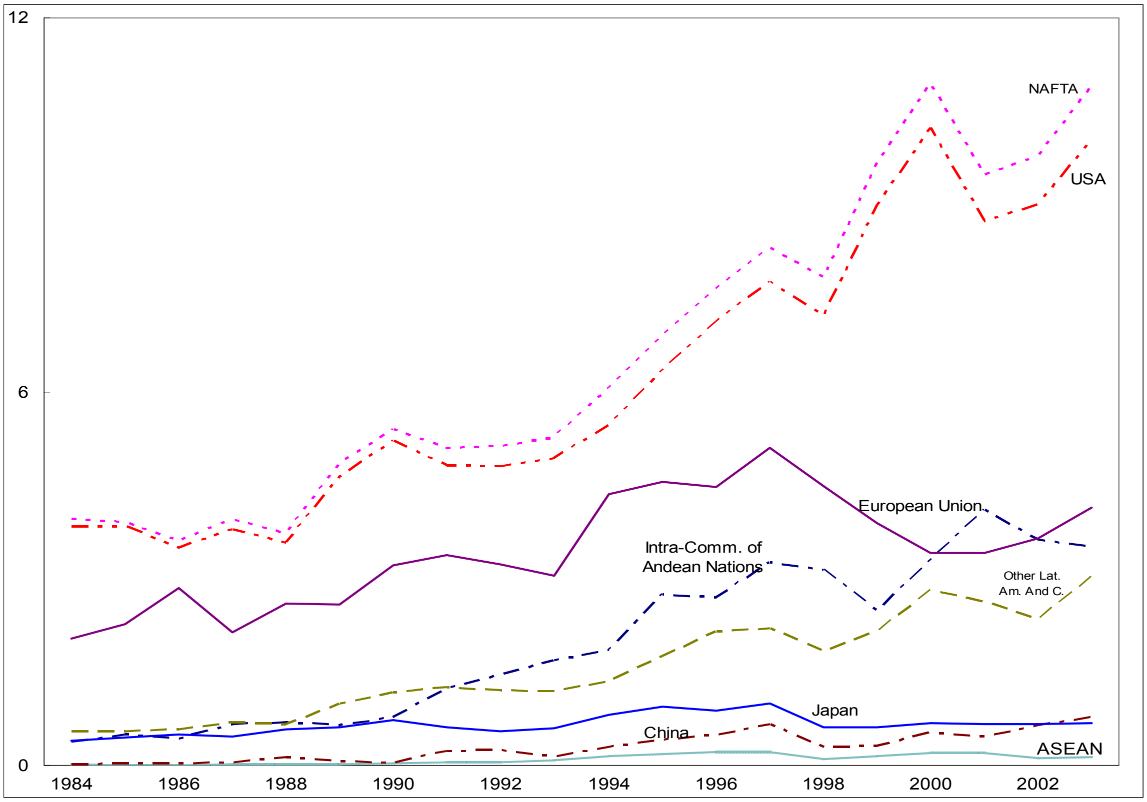
Source : United Nation (2005), « Comtrade », *UN Commodity Trade Statistics Database*, **http://unstats.un.org/unsd/comtrade/**

Nevertheless, the very tight margin (217 yesses to 215 nays) by which the vote on CAFTA-DR was secured in the House of Representatives has lead former U.S. Trade representative, Clayton Yeutter, to predict that : « The administration won't continue to expand this energy and capital on these smaller agreements (and)there will be a great deal more attention paid to the World Trade Organization », and that, « shortly after the vote, acting USTR, John Portman, should fly to Geneva to meet with trade ambassadors and officials there about the flailing WTO negotiations ». [30]

[30] Global Unions Forum on Trade and International Labour Standards, July 28, 2005. On line : GURN@lists.solicomm.net

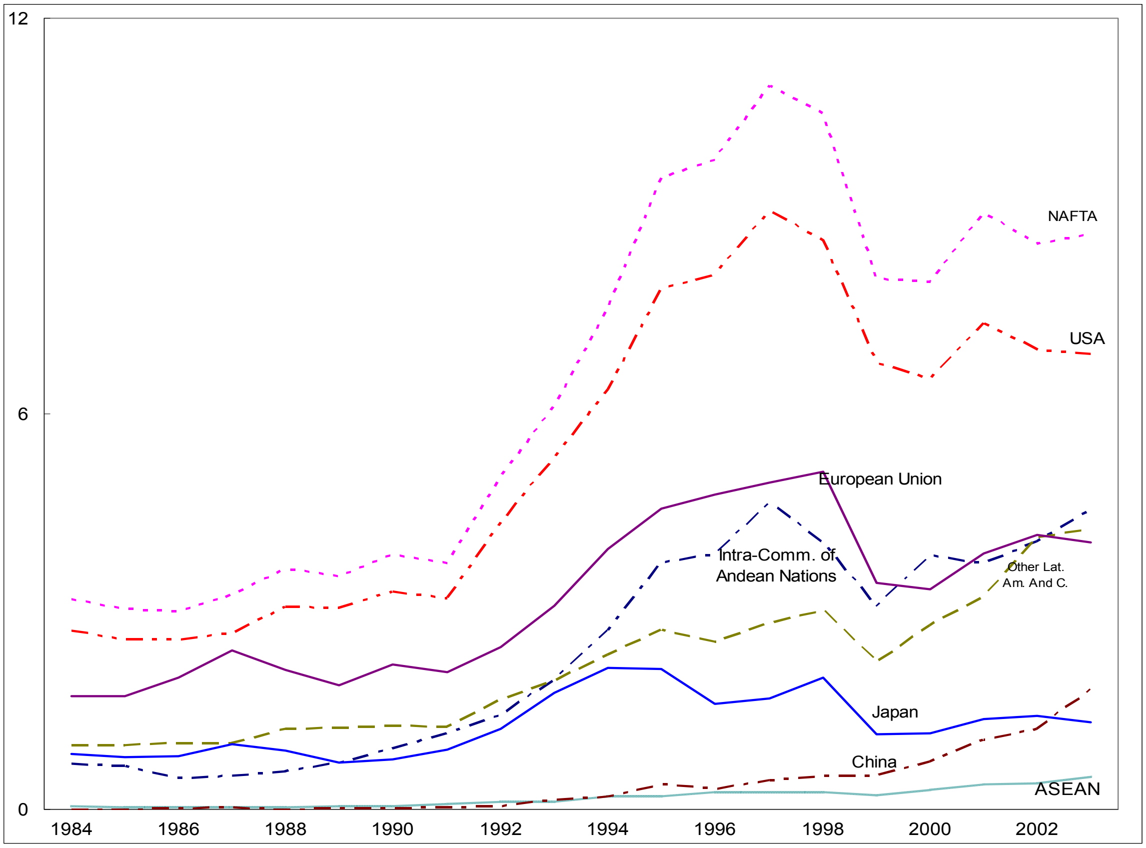
Finally, as far as the Andean FTA is concerned, the two graphs below show the extent of the three countries' dependence on NAFTA, but especially on U.S. trade.

Graph 4. Exports of the three Andean FTA partners (Billions of dollars)



Source : United Nation (2005), « Comtrade », *UN Commodity Trade Statistics Database*, **http://unstats.un.org/unsd/comtrade/**

Graph 5. Importations of the three Andean FTA partners (Billions of dollars)



Source : **United Nation (2005), « Comtrade »,** *UN Commodity Trade Statistics Database*, **http://unstats.un.org/unsd/comtrade/**

Even though U.S. trade with Central America and the Andean countries is marginal, these new agreements could play an important role in extending outwards the deep integration model of development at play in the context of NAFTA.

CONCLUSION

We can draw two short conclusions from the previous analyses and comments. First, North America is going through a process of integration comparable to no other. Second if, at the end of the day, U.S. strategy would have sought to establish a worldwide NAFTA-type web, this will not happen soon and, in fact, is not likely to happen at all. Barely two years ago, in its *World Investment Report 2003*, UNCTAD ended its analysis with the question whether the world economy was moving towards the setting up of mega blocks, or not. This question seems at odds in the present context, especially after the « NO » votes on the European Constitution in France and the Netherlands, in the Spring of 2005, and considering the hurdles MERCOSUR and other regional agreements are facing. Neither the mega block model, nor the hub and spoke one, which sought to describe economic relations betwen the U.S. and their partners in the Americas, or even the idea of an extending set of concentric circles, either in the EU or the Americas, are apt to describe what has been happening recently.

Our own study tends to validate an alternative interpretation according to which we could be moving in an altogether different direction, with the confirmation of three major economic world powers : the U.S. with its reluctant satellites (Canada and Mexico), China, and India. These three alone find themselves at present in the enviable position of being able to pursue and establish their dominance on an external, as well as on an internal plane, whereas the EU, Latin America and others, have not yet surmounted major internal challenges in order to further integration and, for the time being at least, these challenges are impeding their emergence as credible rival powers on the international scene.