

Cautious Optimism or Counterproductive Complacency? A Reply to Gen. David Petraeus on the Future of North American Integration

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Posted: 9 December 2015

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General Petraeus' interview raises important and controversial points on the present and future of North American integration. It is very significant that prominent policymakers such as himself discuss the opportunities and common challenges facing Mexico, Canada, and the United States. His assertions highlight the enormous level of economic integration that these countries have achieved over twenty-one years of operation of the North American Free Trade Agreement (NAFTA). Like many other scholars and policymakers, Petraeus regards trade as the force bringing these countries together and calls our attention to various achievements that have resulted from the continued operation of NAFTA.

The past two decades have witnessed, however, the rise of various challenges to the enhanced productivity, shared prosperity, and common security that the national governments tried to promote through the implementation of the agreement. In this regard, General Petraeus points out that no substantial steps towards further integration have been taken beyond the realms of trade and investment. So far, the response of the North American governments to these challenges and difficulties has been mostly to maintain the status quo of limited agreements and institutions that they set up back in 1994.

Several academics and policymakers have called for the national governments to consider and implement innovative policies and programs that can respond to these challenges through increased trilateral cooperation and integration (see Dobson, 2002; Manley, Aspe, & Weld, 2005; Pastor, 2011; Genna & Mayer-Foulkes, 2013; Petraeus & Zoellick, 2014). However, some of these proposals and calls for action have been sometimes disregarded at the expense of shared prosperity. In this interview, Petraeus attempts to lessen our concerns about this state-of-affairs and be cautiously optimistic about the future of North American integration as it is. However, I argue that this might be a counterproductive position. It might prevent us from realizing that the limited institutional framework that sustains growing trade and investment in North America is not suitable for addressing the socioeconomic impact and environmental externalities that have resulted from such increased exchanges.

For instance, Petraeus discusses the continued dispute over the US-Mexico cross-border trucking agreement which, as originally intended, would have allowed Mexican trucks to carry cargo across the border to their final destination in the United States. The reluctance of the US to implement the agreement for 17 years can be seen as the main reason for the occurrence and persistence of this problem. However, a factor is missing from such an explanation: the lack of strong dispute resolution mechanisms that enabled the problem in the first place. It is fundamental to understand this missing part of the explanation, which has ultimately hindered the promotion of our shared prosperity.

In the negotiations of NAFTA and its side agreements, the North American governments deliberately avoided the creation of strong institutions that could solve disputes and enforce common rules. They argued that the creation of such bodies might hinder freer trade they were trying to promote. The opposite occurred, unfortunately. Twenty-one years later, we can observe that the lack of common rules and strong institutions to oversee and enforce them has limited trade and hindered the promotion of our common wellbeing. The range of problems that have resulted from the existence of a patchwork of rules and weak institutions is visible on an everyday basis across the region: from the congestion at the Tijuana-San Diego border crossing to the pollution produced by the Canadian tar sand pits, to regular outbursts on US television against Mexican immigration. Although it cannot be reasonably argued that NAFTA is the cause of these problems, the fact remains that the institutional architecture that the agreements (and hence the governments) set up to deal with them is quite limited or non-existent. It is concerning that the North American governments remain so complacent about this.

The discussion above should not be taken to imply that North American integration has failed. On the opposite, there are great achievements in the region that often go overlooked. Although North America did not create strong supranational institutions capable of enforcing rules over nation-states, as Europe did, it did create regional institutions that merit closer attention. The actions of these institutions demonstrate that to a limited extent and in a few instances, North American integration can progress in a direction similar to European integration. While some observers, analysts, and policymakers in the three countries argue that North America should not try to follow the European integration model, in some ways it has already done so—even if limitedly. I argue that greater understanding of the work and actions of the North American Commissions for Labor and Environmental Cooperation (CLC and CEC, correspondingly), the Joint Public Advisory Committee (JPAC), and the North American Development Bank (NADBank) would provide us with examples to be replicated in other policy areas.

Even though all these institutions began operating on the same day that NAFTA entered into force, their significant work for the protection of the public interest has often gone unnoticed. In contrast to the NAFTA Secretariat, which has slowly faded into insignificance, all of these institutions and bodies have gained (or gained) increasing influence on environmental, labor and development issues in the region, which the main trade agreement did not touch upon, or addressed only marginally. In their corresponding policy arenas, they have maneuvered through (and sometimes against) the national governments' rigid understanding of sovereignty. It can be argued that more often than not, their actions have favored and empowered individuals, communities, and social-oriented non-governmental organizations to protect the public interest at the regional, national and local level. Some examples support these assertions.

The first of these examples is the Commission for Environmental Cooperation, which has worked through bureaucratic hurdles and competition, and sometimes the active opposition of national governments, to enhance the North American regional environment. One of the ways it has done so, is through the creation of funds for grassroots and community-based projects. Creating a North American Fund for Environmental Cooperation was, however, a contentious idea. It faced opposition from the national governments, which considered that the creation of such a fund would diverge domestic resources. Through significant political maneuvering, the CEC managed to establish a program in 1995 which proved successful among North American communities (providing nearly 200 grants to projects across the three countries for a total of more than 7 million USD over eight years). Despite such success, the governments stopped funding this initiative in 2003. It was not until 2010 that the CEC managed to fund and establish a program with similar objectives called the North American Partnership for Environmental Community Action. To this day, this initiative, which has witnessed comparable success to its predecessor, continues to grow in scope and number of applications. The success of these programs then demonstrates the existence of a gap for region-wide community involvement and action on environmental protection that current national policies and programs cannot fill.

The work of the North American Development Bank (NADBank), a binational institution that operates in the US-Mexico border area, provides another success story. The NADBank, in conjunction with its sister organization, the Border Environment Cooperation Commission, was originally established to support the creation and improvement of sanitation infrastructure in the border area. The governments initially funded the NADBank with 1 billion USD and directed it to finance loans at market rates, which would ensure the continued financial viability of the bank itself. Soon, prospective borrowers, community leaders, and other stakeholders pointed out that NADBank's approach to financing would not promote of environmental infrastructure through lending at market rates only. Calls for change from transnational actors, along with a proactive stance from NADBank's administrators, led the institution to push the national governments for a modification of its charter which would enable the Bank to provide grants and administrative support to projects, which made them more affordable and accessible for border communities. These and other changes have enabled more communities on both sides of the border to access funds and resources to improve sanitation, air quality, energy efficiency and overall standards of living, that state and local governments would have been unable to finance on their own.

Unfortunately, not all the regional institutions have been as proactive and successful at engaging working and maneuvering with the North American governments to promote policy changes at the domestic level. In fact, the case of the now-abandoned North American Commission for Labor Cooperation (CLC) demonstrates that national governments can and have backed off from many of their commitments in NAFTA and its side agreements. In fact, at times they actively undermined the institutions to retain control over the process and preserve their sovereignty. This is what happened to the CLC, which from its inception worked even if limitedly and slowly, to raise labor standards and worker's rights across North America –and especially in Mexico. Its actions, decisions, and programs, however, soon alienated the national governments, which regarded it as a threat to their sovereign decisions and practices on labor relations. In 2010, such disagreements reached a breaking point that resulted in the closing of the CLC. Contrary to the spirit of the North American Agreement on Labor Cooperation, the governments took upon themselves the task of overseeing their decisions and policies on labor protection. More than five

years later, the Commission has not been re-opened, and it is unlikely to do so anytime soon. This situation has left North America without a much-needed forum and institution that can push for the creation, maintenance and raising of labor standards in one of the most economically disparate regions in the world. Accepting the quiet disappearance of a North American institution amounts to giving up on the goal of improving labor standards and conditions for all workers across the region, and accepting the social inequalities perpetuated by the existence of dissimilar domestic legislations.

In conclusion, North America enjoys great opportunities and faces great challenges resulting from the occurrence and progression of economic integration between countries in the region. The institutional framework that sustains the North American integration process is complex but has deteriorated over twenty-one years of operation without substantial reviews. At the moment, the North American institutions are not as strong and comprehensive as the European ones, to address the challenges that the countries are facing in various policy arenas. Notwithstanding this, at different times and to different extents, these institutions have displayed proactiveness and the ability to maneuver a policy and institutional landscape characterized by the continued reaffirmation of sovereignty and national borders. At times, their work has led to the creation of region-wide programs and practices that have fostered growing interest and involvement from the North American public on regional issues. Other times, they have resulted in reticence from and disagreements with the national governments, to the point where the institutions have been weakened or even dismantled. This is hardly the way to prosperity and security for the continent.

There are still many areas that would benefit from increased cooperation, collaboration and upward policy harmonization between countries. Therefore, rather than seeing North American integration as a *fait accompli*, we should see it as a work in progress. The governments and public should commit themselves to establishing clear objectives for the process, and being less apprehensive about the actions regional institutions take to accomplish them.

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