



*SECURITY AND PROSPERITY
TOWARD A NEW
CANADA-UNITED STATES
PARTNERSHIP IN NORTH AMERICA*

*PROFILE OF THE NORTH AMERICAN
SECURITY AND PROSPERITY
INITIATIVE (NASPI)*

*CANADIAN COUNCIL
OF CHIEF EXECUTIVES*

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SUMMARY

Canadian business leaders believe that the time has come for the next big step forward in the Canada - United States relationship. The Canada - United States Free Trade Agreement marked a fundamental change in the management of our trading relationship. Economic integration is now irreversible, but in the wake of the terrorist attacks of September 11, 2001, it also has become clear that North American economic and physical security are indivisible. Our two countries have no choice but to take a more comprehensive approach to managing our relationship.

The *North American Security and Prosperity Initiative (NASPI)** launched in January 2003 by the *Canadian Council of Chief Executives* calls for action on five fronts:

- ***Reinventing borders*** by eliminating as many as possible of the barriers to the movement of people and goods across the internal border and by shifting the emphasis to protection of the approaches to North America;
- ***Maximizing economic efficiencies***, primarily through harmonization or mutual recognition across a wide range of regulatory regimes;
- ***Negotiation of a comprehensive resource security pact***, covering agriculture and forest products as well as energy, metals and minerals, based on the two core principles of open markets and regulatory compatibility;
- ***Rebuilding Canada's military capability*** both to defend our own territory and to do our share in ensuring continental and global security; and
- ***Creating a new institutional framework*** based not on the European model but on cooperation with mutual respect for sovereignty, perhaps using joint commission models to foster co-ordination and to prevent and resolve conflicts.



SECURITY AND PROSPERITY: TOWARD A NEW CANADA - UNITED STATES PARTNERSHIP IN NORTH AMERICA

WHO WE ARE

The *Canadian Council of Chief Executives* is a not-for-profit, non-partisan association of Canada's business leaders committed to the shaping of sound public policy in Canada, North America and the world. The members of the Council comprise the chief executive officers of 150 leading Canadian corporations. These companies administer in excess of C\$2.1 trillion in assets, have annual revenues of more than C\$500 billion and account for a significant majority of Canada's private sector investment, exports, training and research and development.

Widely recognized as Canada's most influential business organization, the Council has played an important role in most of the major public policy developments in Canada over the past quarter century. In particular, it was the driving force in the Canadian private sector in the development and promotion of the Canada - United States Free Trade Agreement and subsequently the North American Free Trade Agreement.

WHY A NEW DEAL IS NEEDED NOW

The degree of integration that our two economies have achieved since the signing of the FTA in the 1980s is staggering. Total trade has more than doubled in value since 1994 to about US\$1.2 billion per day. The United States now accounts for more than 80 percent of Canada's exports, but Canada also buys almost a quarter of all American exports, more than all 15 current members of the European Union combined and three times as much as Japan. More than half a million people and 45,000 trucks cross our common border every day. The flow of goods across the single border point between Detroit and Windsor, Ontario is greater than total United States trade with Japan.



SECURITY AND PROSPERITY: TOWARD A NEW CANADA - UNITED STATES PARTNERSHIP IN NORTH AMERICA

The terrorist attacks of September 11, 2001 exposed the shared vulnerability of our societies. The clear need to put security first in the wake of the attacks had an immediate and devastating impact on traffic across the border and led quickly to plant shutdowns and widespread economic losses in both countries. At the same time, the attacks highlighted the extent to which our two countries share core values, history and institutional roots and therefore the need to confront the new global challenges as members of a North American community.

The *Smart Border Accord* signed by Canadian Deputy Prime Minister John Manley and United States Secretary of Homeland Security Tom Ridge in December 2001 marked an important step in working together to ensure the physical security of the citizens of both countries in a way that does not impair their economic security. But the *Canadian Council of Chief Executives* sees a much broader opportunity to build on this work. In January 2003, we therefore launched our *North American Security and Prosperity Initiative (NASPI)* to accelerate progress on both economic and security issues in forging a new and stronger Canada - United States partnership.

THE COUNCIL'S STRATEGY

While the strategy being advanced by the Council is sweeping in its scope, it does not advocate any form of political union between our two countries, ruling out a single legislature, a single high court, a single armed forces. Nor does it call for a European-style common market with overriding supranational institutions. While the suggested reduction in differences in Canadian and American treatment of third-country trade may eventually illustrate the benefits of a full customs union, neither this option nor a currency union are part of the strategy being put forward by the Council. Instead, the Council focuses on action in five key areas.



SECURITY AND PROSPERITY: TOWARD A NEW CANADA - UNITED STATES PARTNERSHIP IN NORTH AMERICA

- 1. *Reinventing borders.*** In order to achieve what the Canadian government has described as a border that is open for business but closed to terrorism, our countries need to create a zone of cooperation encompassing the continent rather than focusing security efforts on the line that separates us. To do so, we must emphasize protection of the approaches to North America while eliminating regulatory, procedural and infrastructure barriers at our internal border.

The effectiveness of borders in a globalized world is a matter of process more than of geography. To ensure our shared security and prosperity, we must build on the *Smart Border Declaration* of 2001 and develop shared approaches to commercial processing, infrastructure, intelligence and policing, a North American identity document and a shared institution to provide oversight. This would enable us to transform the internal border into an effective but shared checkpoint within an integrated economic space.

- 2. *Maximizing economic efficiencies.*** Because our economies are so integrated, many of our regulatory systems are in effect redundant. With respect to standards, inspection and certification procedures, for instance, our two countries should be able to apply a principle of “tested once” for purposes of the Canada - United States market. To this end, we should establish shared technical groups that would examine our regulatory frameworks, sector by sector, and provide advice to governments in both countries on where differences could be bridged through mutual recognition or other forms of harmonization.

As part of this effort, three issues of significant sensitivity must be addressed: the use of trade remedies within a de facto integrated market; regulatory restrictions on access and ownership in major industries; and impediments to the mobility of skilled labor.



SECURITY AND PROSPERITY: TOWARD A NEW CANADA - UNITED STATES PARTNERSHIP IN NORTH AMERICA

- 3. Ensuring resource security.** Canada and the United States benefit from a rich and interdependent resource market including oil, natural gas, electricity, coal, uranium, primary metals, forest products and agriculture.

The security of our countries depends on the assurance of uninterrupted flows among us. What is needed is a major initiative aimed at removing the threat of trade disputes and in particular resolving once and for all the controversial issues of resource pricing and subsidies. This initiative should lead to a resource security pact based on two core principles: open markets and compatibility of regulatory frameworks.

- 4. A North American defence alliance.** Our militaries play a critical role in protecting our continent, but the United States is carrying a disproportionate part of the responsibility for doing so. Canada must both reinvest in its defence capability and ensure the interoperability of Canadian and United States armed forces on land, at sea and in the air.

Building on the more than forty-year record of cooperation through NORAD, our countries should strive to create a North American defence community of sovereign nations. The new structure would expand our alliance to defend the continent from missile attacks and other airborne threats, share naval protection of the approaches to North America, protect critical infrastructure such as pipelines, electronic networks, railways, bridges and transmission lines; and enable us to react together to natural and man-made disasters on both sides of the border.

An enhanced Canadian homeland security capability within North America will enable Canada to contribute more effectively to the global war on terror.



**SECURITY AND PROSPERITY:
TOWARD A NEW CANADA - UNITED STATES
PARTNERSHIP IN NORTH AMERICA**

- 5. *Developing 21st century institutions.*** The dynamic Canada - United States relationship is no longer adequately served by existing national and bilateral rules and institutions. What North America needs is a new partnership based on cooperation and mutual respect for the sovereignty of each country, not a European-style model characterized by supranational institutions.

Specialized joint commissions could be created to address the four areas targeted for action in this strategy: reinventing the border; maximizing economic efficiencies; ensuring resource security; and building a more effective North American defence alliance. The institutional framework needed to manage a closer Canada - United States partnership will, however, require careful consideration.

THE NORTH AMERICAN DIMENSION

The Council attaches great importance to Mexico's role as a North American partner. Its economy and society are already closely linked with that of the United States, and the relationship with Canada is vibrant. There are great opportunities for the three countries to build on the foundation of the NAFTA, but each country brings unique assets to the partnership.

Our countries should move forward in a practical way and at a pace that suits our respective interests. If all three countries can agree jointly on an individual initiative, they should move forward together. If any two can do so, the third should be free to join whenever it makes sense to do so. This approach was effective in developing the FTA and NAFTA, and can continue to work well in future.



SECURITY AND PROSPERITY: TOWARD A NEW CANADA - UNITED STATES PARTNERSHIP IN NORTH AMERICA

TOWARD A NEW CANADA - UNITED STATES PARTNERSHIP

Over the past year, the *Canadian Council of Chief Executives* has carried out studies, consulted widely and established a working group with our CEO counterparts in the United States and Mexico. We believe the time has come to transform ideas into action and are advancing the strategy described here in order to generate both discussion and real progress toward the goal of forging an unassailable economic and security alliance between our two countries.

The foundations for the Council's *North American Security and Prosperity Initiative* will be laid within Canada in February and March 2003. We will begin by establishing the roles and responsibilities of the Council's member chief executives along with the necessary governance structures and financing. We also will consult external advisors covering the broad range of issues involved in the initiative; launch discussions with ministers and senior officials at the federal, provincial and municipal levels; and assemble a network of support among business associations and other organizations with an interest in furthering the Canada - United States relationship.

In April, the focus will shift to Washington, where the Council will hold its next general meeting and launch discussions of the initiative with key policy makers and opinion leaders in the United States. We will follow up with broader efforts to expand networks and alliances throughout the United States, including visits to key American cities with the assistance of Canada's diplomatic posts.

The Council recognizes that the scale of this initiative requires an extensive effort both to assemble a concrete case for the specific measures involved and to build broad support in both countries. But our two countries have never been more interdependent, and it is now vital to integrate the economic and security aspects of the relationship.

*See *Security and Prosperity: The Dynamics of a New Canada - United States Partnership in North America* - A presentation to the Annual General Meeting of the *Canadian Council of Chief Executives* by Thomas d'Aquino, President and Chief Executive @ www.ceocouncil.ca.