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NORTH AMERICA: GIVING THE CONTINENT THE ATTENTION IT DESERVES

Report of the Standing Committee on Foreign Affairs and International Development

**Dean Allison
Chair**

JUNE 2015

41st PARLIAMENT, SECOND SESSION

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THE STANDING COMMITTEE ON FOREIGN AFFAIRS AND INTERNATIONAL DEVELOPMENT

has the honour to present its

TWELFTH REPORT

Pursuant to its mandate under Standing Order 108(2), the Committee has studied the issue of North American integration and competitiveness in preparation for the next North American Leaders' Summit and has agreed to report the following:

TABLE OF CONTENTS

NORTH AMERICA: GIVING THE CONTINENT THE ATTENTION IT DESERVES.....	1
THE COMMITTEE'S STUDY	1
THE NORTH AMERICAN AGENDA: IMAGINATION AND PRAGMATISM.....	2
RECOMMENDATIONS FOR THE NEXT NORTH AMERICAN LEADERS' SUMMIT.....	5
APPENDIX A: LIST OF WITNESSES	9
APPENDIX B: LIST OF BRIEFS	11
REQUEST FOR GOVERNMENT RESPONSE.....	13

NORTH AMERICA: GIVING THE CONTINENT THE ATTENTION IT DESERVES

THE COMMITTEE'S STUDY

The House of Commons Standing Committee on Foreign Affairs and International Development (the Committee) undertook a concise study of North American integration and competitiveness. During the Committee's two meetings on this topic, witnesses – who included one current and two former ambassadors, as well as representatives of think tanks and business groups – made a number of suggestions in relation to Canada–United States–Mexico relations, all of which informed the Committee's thoughts and recommendations.¹

A committee with a mandate as vast as this one – foreign affairs and international development – is faced with difficult decisions in choosing its study topics. At any given time, there are various international humanitarian and security crises that warrant time and attention. The Committee's agenda can easily and justifiably be consumed by what is dominating each day's headlines. In the midst of an international system that includes failing states, violent extremism and historic levels of displacement – to name just a few challenges – an examination of the core and long-standing relationships that are the foundation of Canada's foreign relations can seem like a less immediate task.

Constant effort is needed to ensure that the international crisis of the moment does not crowd out the thoughtful consideration of actions that are needed today to build the future that we want decades from now. It is with this sentiment in mind that the Committee decided to finish its work before Parliament's summer adjournment by examining issues close to home through a focus on Canada's continental relationships.

The next North American Leaders' Summit – the only existing diplomatic mechanism dedicated to bringing together the leaders of Canada, Mexico and the United States – will be hosted by Canada. Previous summits were hosted by Mexico in 2014² and by the United States in 2012.³ From 2005–2009, the three leaders met under the auspices of the Security and Prosperity Partnership, the work of which was supported on an on-going basis by a number of working groups.⁴

1 House of Commons, Standing Committee on Foreign Affairs and International Development (FAAE), [Evidence](#), 2nd Session, 41st Parliament, 26 May 2015; and, FAAE, [Evidence](#), 2nd Session, 41st Parliament, 2 June 2015. A full list of witnesses is contained in Appendix A and a full list of briefs is contained in Appendix B. The Committee also considered the reference documents that were submitted to it, including: Eric Miller, John Dillon and Colin Robertson, [Made in North America: A new agenda to sharpen our competitive edge](#), Canadian Council of Chief Executives, December 2014; and, [North America: Time for a New Focus](#), Council on Foreign Relations, Independent Task Force Report, No. 71, 2014.

2 Prime Minister of Canada, [21st Century North America: Building the Most Competitive and Dynamic Region in the World](#), Joint Statement by North American Leaders, 19 February 2014.

3 Prime Minister of Canada, [Joint Statement by North American Leaders](#), 2 April 2012.

4 Government of Canada, Security and Prosperity Partnership of North America, [About SPP](#) [Archived], 2009.

While these meetings have served as a catalyst for a number of initiatives, it can be argued that the larger pattern of trilateral cooperation is characterized by inconsistent momentum and resolve. Moreover, relations can at times be preoccupied with bilateral irritants, including, for example, the approval process for the Keystone XL pipeline and the visa requirements for Mexicans visiting Canada.

In anticipation of the next North American Leaders' Summit, the Committee believes that now is an opportune moment to take stock of relations between and among the three continental partners and neighbours. The overall objective of this report is to propose topics on which a focused summit agenda can be built, with a view to laying the groundwork for a summit that the Committee hopes will be both ambitious and productive.

THE NORTH AMERICAN AGENDA: IMAGINATION AND PRAGMATISM

In the North American context, many policy areas require attention, innovation and resources. This reality was evident from the scope of observations made by the Committee's witnesses, who commented on everything from the efficient and secure inspection and movement of goods and people, to the alignment of regulations and the management of natural disasters. Each issue could have been the subject of its own study and report. The degree of bilateral and trilateral cooperation that has developed over time to address policy issues, and the factors that may be facilitating or limiting such cooperation, vary. In this report, the Committee intends to step back from the details of those myriad issues, and consider the larger context within which the next North American Leaders' Summit will take place. The analysis that follows, which is focused on identifying opportunities for further North American collaboration, is influenced by ideas that the Committee drew from the testimony and the submissions it received.

The first observation is as simple as it is fundamental: North America is important. This statement reflects the benefits that each of the continent's three countries derives from its connections to the other two, and North America's role as an engine of global economic activity. Canada, Mexico and the United States share history, geography, culture, and values, as well as an untold number of personal and business relationships. Bolstered by the economic integration that was facilitated by the North American Free Trade Agreement (NAFTA),⁵ which has been in force since 1994, the three countries have generated economic prosperity for more than 500 million people.⁶ Canada, Mexico and the United States have a combined trade relationship that was recently valued at more than \$1.4 trillion.⁷

Cooperation and mutual trust at the governmental level are particularly pronounced with the Canada–United States relationship. Over the years, the two countries have not

5 The Department of Foreign Affairs, Trade and Development (DFATD), [*North American Free Trade Agreement \(NAFTA\)*](#).

6 Eric Miller, John Dillon and Colin Robertson, [*Made in North America: A new agenda to sharpen our competitive edge*](#), Canadian Council of Chief Executives, December 2014, p. 7.

7 DFATD, [*"Statement by Canada, United States and Mexico on the North American Competitiveness and Innovation Conference"*](#), News Release, 3 November 2014.

only pursued initiatives on the management of borders, parks and shared waterways; they have established a bi-national defence organization, the North American Aerospace Defense Command, which – since 1958 – has jointly monitored and defended North American airspace.⁸

While the significance of Canada's continental relationships should be self-evident, the pursuit of distant markets and new relationships can arguably dilute the attention paid to the breadth and magnitude of Canada's economic, political and people-to-people connections with the United States and Mexico. Making this observation is not to argue against new commercial partnerships, which should be sought continually and globally. Rather, the idea is one of recognition that – as a trading nation – Canada's growth and prosperity depend on North America.

Despite this fundamental reality, the Committee heard that non-tariff barriers are currently limiting the economic potential of the three North American nations. So are gaps between the resources currently devoted to infrastructure development and the level of investment that many observers believe is needed.

The routine business of the Canada–United States, Canada–Mexico and United States–Mexico relationships are managed on a daily basis by the three governments' respective bureaucracies. While such work largely takes place out of the media spotlight, it is essential. What is missing is a clearly articulated and more strategic understanding of North America's future. The commitment to take the big and small steps that are necessary to overcome shared challenges and to set objectives that are relevant to all three North American countries must be generated and sustained at the highest level.

One key issue is the future of NAFTA. There is, for example, a need to consider the ways in which NAFTA would be affected by the possible conclusion of the Trans-Pacific Partnership (TPP) negotiations.⁹ These negotiations currently involve 12 countries – including Canada, Mexico and the United States – from across the Asia-Pacific region. As a framework that would reflect the evolution of trade agreements over the last 20 years, the TPP is expected to include provisions that would be comparatively more robust than those contained in NAFTA – including, for example, on intellectual property – and that would address issues that are not covered by NAFTA. While there does not appear to be a consensus on the impact that the TPP could have on NAFTA, it is clear to the Committee that the potential ramifications should be considered proactively by the Canadian, American and Mexican governments, including through trilateral dialogue.

From one perspective, the TPP negotiations provide an opportunity to “update and upgrade”¹⁰ NAFTA. While core to North American prosperity, NAFTA was concluded in an era that preceded – for example – the digital economy, the services economy, and the post-11 September 2001 security consciousness. Regardless of the TPP negotiations, global economic competition is intensifying, and there is a need to reimagine the future of

8 North American Aerospace Defense Command (NORAD), [About NORAD](#).

9 DFATD, [Trans-Pacific Partnership \(TPP\) Free Trade Negotiations](#).

10 FAAE, [Evidence](#), 2nd Session, 41st Parliament, 2 June 2015.

the economies of the NAFTA countries. That future should be characterized by a focus on how to go beyond keeping up with global forces. The priority should be identifying how the three countries can more effectively wield their comparative advantages and forge ahead to enhance their prosperity and well-being.

Another overarching issue is the approach taken by Canada and the United States in their engagement with Mexico going forward. That country has undergone significant political and economic changes in recent decades. Mexico is now a multi-party democracy with a burgeoning middle class, even if it still must confront security and rule of law challenges related to transnational crime. Mexico has been pursuing reforms in a number of domestic sectors, including energy, and is both a core part of North American supply chains and Canada's third-largest trading partner.

In each policy area, the optimal mode of cooperation between and among the three North American countries must be considered. For example, the United States and Mexico advance cooperation on border management and security bilaterally through the Declaration Concerning Twenty-First Century Border Management,¹¹ and undertake regulatory cooperation in the context of the United States–Mexico High-Level Regulatory Cooperation Council.¹² Canada and the United States also have bilateral mechanisms: the Beyond the Border Action Plan¹³ and the Regulatory Cooperation Council.¹⁴ Testimony suggested that opportunities for convergence on some of these bilateral efforts should be explored.

While bilateral arrangements are effective in addressing some policy concerns, in other areas trilateral cooperation should be pursued with a view to enhancing competitiveness and integration. Accelerated progress on the electronic travel authorization and the North American trusted traveller program,¹⁵ which will link the NEXUS (Canada–United States) and SENTRI (United States–Mexico) programs, is one example of an appropriate and feasible trilateral initiative that can bring significant benefits for all three countries.

Cooperation in the energy sector is another example where the potential for trilateral cooperation is promising, as demonstrated by the recent meetings of the North American Energy Ministers.¹⁶ Given the transformations that are under way in the North American energy market, including new sources of supply, there is an opportunity for the

11 The White House, "[Declaration by The Government Of The United States Of America and The Government Of The United Mexican States Concerning Twenty-First Century Border Management](#)," Statements and Releases, 19 May 2010.

12 United States Department of Commerce, [U.S.-Mexico High-Level Regulatory Cooperation Council](#).

13 Government of Canada, [Beyond the Border: A Shared Vision for Perimeter Security and Economic Competitiveness](#).

14 Government of Canada, [Regulatory Cooperation Council](#).

15 Prime Minister of Canada, [21st Century North America: Building the Most Competitive and Dynamic Region in the World](#), Joint Statement by North American Leaders, 19 February 2014.

16 Government of Canada, "[North American Energy Ministers Establish New Continental Climate Change and Energy Collaboration](#)," News Release, 25 May 2015.

North American leaders to consider the development of a strategy that would maximize the contributions of the three countries' energy resources. That strategy could also address environmental sustainability, as well as best practices in standards and regulations, the use of new technologies, and the planning of future investments.

The need for increased investment in infrastructure is relevant to many sectors of the North American economy. A strategic approach to modernizing and expanding the transportation, border, trade, energy, and logistics infrastructure in Canada, Mexico and the United States – with due consideration given to the connections between grids, corridors and technologies – could contribute to stronger and more fully connected supply chains throughout North America.

In addition to acting on the big ideas outlined above, practical steps can also be taken to enhance the competitiveness of the economies of the three North American countries. Witnesses highlighted regulatory differences as particular impediments to efficiency. It was suggested that nationally distinct regulations are not always needed to ensure their intended outcomes, such as safeguarding health or safety. Testimony identified efforts to reduce this “tyranny of small differences,”¹⁷ where possible, as a prime target for further practical cooperation at the bilateral level, and for future collaboration at the trilateral level.

Conflicting standards are another shared hindrance where joint progress should be possible. As the “voluntary guidelines” that determine how goods are made, bought and sold, standards are a vital aspect of economic activity. However, the current programs relevant to standards-setting and the assessment of conformity were described to the Committee as a “patchwork.”¹⁸ Even in the context of the deeply entrenched economic relationship between Canada and the United States, only an estimated 10% of standards have been harmonized.¹⁹

RECOMMENDATIONS FOR THE NEXT NORTH AMERICAN LEADERS' SUMMIT

In the Committee's view, addressing the full range of issues outlined in this report will require a revitalized North American partnership that extends beyond the three governments. All stakeholders – including provinces and states, legislators, businesses and regulatory bodies, academics, and civil society – have a role to play in building relationships and devising innovative solutions to common challenges. The Committee is encouraged to note that the inaugural Summit of North American Governors and Premiers

17 FAAE, [Evidence](#), 2nd Session, 41st Parliament, 26 May 2015; FAAE, [Evidence](#), 2nd Session, 41st Parliament, 2 June 2015.

18 FAAE, [Evidence](#), 2nd Session, 41st Parliament, 26 May 2015.

19 Ibid.

will be held on 30–31 October 2015 in Colorado Springs, Colorado.²⁰ Moreover, a trilateral meeting of federal legislators was held for the first time in December 2014.²¹

The next North American Leaders' Summit is an opportunity to establish ambitious objectives focused on the long-term enhancement of North American prosperity, and to identify the resources and institutional mechanisms necessary to realize those goals. The essential ingredients for moving that agenda forward – thus positioning North America to be an economic powerhouse for decades to come – are imagination, commitment and political will.

The Committee makes the following recommendations to the Government of Canada:

Recommendation 1

The Committee recommends that, during the next North American Leaders' Summit, the Government of Canada advocate the creation of a North American strategy on standards. The objective of the strategy should be the harmonization of standards among Canada, the United States and Mexico, where feasible and appropriate.

Recommendation 2

The Committee recommends that the Government of Canada use the next North American Leaders' Summit as an opportunity to accelerate progress on initiatives that enable the efficient and secure movement of people and goods. In particular, the Government should consider the means by which the principle of “inspected once, accepted thrice” could be applied to cargo, and should explore initiatives that can more effectively harness data and new technologies in managing shared borders.

Recommendation 3

The Committee recommends that the Government of Canada propose that a trilateral assessment of infrastructure be prepared for the next North American Leaders' Summit. Consideration should be given to infrastructure investments that are needed to enhance North American competitiveness and integration, particularly in relation to energy, transportation, trade facilitation, information technology and border facilities.

20 The Council of the Federation, “[First-Ever Summit of North American Governors and Premiers to be Held in October](#),” News Release, 4 February 2015.

21 Canada-United States Inter-Parliamentary Group, [Report of the Canadian Parliamentary Delegation respecting its participation at the Canada–United States–Mexico Trilateral Inter-Parliamentary Group Meeting](#), Washington, D.C., 1-2 December 2014.

Recommendation 4

The Committee recommends that the Government of Canada propose that future North American Leaders' Summits consider new ways to keep Canadians informed on achieving key objectives in the areas of North American cooperation and competitiveness, including the identification of areas requiring further work by the North American leaders at subsequent summits.

Recommendation 5

The Committee recommends that the Government of Canada recognize the importance of facilitating enhanced knowledge and research and leverage existing resources towards studying the area of North American integration.

APPENDIX A LIST OF WITNESSES

Organizations and Individuals	Date	Meeting
As individuals Maryscott Greenwood, Senior Advisor Canadian American Business Council Colin Robertson, Vice-President and Fellow Canadian Defence and Foreign Affairs Institute Hon. Michael Wilson, Chairman Barclays Capital Canada Inc.	2015/05/26	62
Canada West Foundation Carlo Dade, Director Centre for Trade and Investment Policy		
As an individual Laura Dawson, Director Canada Institute, Woodrow Wilson Centre	2015/06/02	63
BMO Financial Group David Jacobson, Vice Chairman		
Canadian Council of Chief Executives John R. Dillon, Vice-President Policy and Corporate Counsel Eric Miller, Vice-President Policy, Innovation and Competitiveness		
Embassy of the United Mexican States H.E. Francisco Suarez Davila, Ambassador of the United Mexican States to Canada		

APPENDIX B LIST OF BRIEFS

Organizations and Individuals

Canadian Agri-Food Trade Alliance

Canadian Chamber of Commerce

REQUEST FOR GOVERNMENT RESPONSE

Pursuant to Standing Order 109, the Committee requests that the government table a comprehensive response to this Report.

A copy of the relevant *Minutes of Proceedings* ([Meetings Nos. 62-63, 66-67](#)) is tabled.

Respectfully submitted,

Dean Allison

Chair

