

The highly uncertain future of North American governance

Shortly after Barack Obama's widely celebrated electoral victory, Thomas d'Aquino, chief executive and president of the Canadian Council of Chief Executives (CCCE), published an open letter to the president-elect in the *National Post*. D'Aquino reminded Obama that Canadians and Americans were cousins and that together, in the face of challenging economic times, we must stand firmly against the siren call of protectionism, and recapture the sense of urgency and momentum that had accelerated continental integration in the aftermath of 9/11.

DWINDLING SUPPORT

D'Aquino, together with the influential coalition of North American political and corporate elites that crafted the 2005 Security and Prosperity Partnership (SPP), a successor agreement to NAFTA, had many reasons to be apprehensive about the future of North American governance. The American electorate's resounding repudiation of the Republican Party left Stephen Harper, recently re-elected with another fragile minority government, as the last standing poster boy for unfettered market governance.

Even more disconcerting, during the protracted Democratic primary contest and the US presidential campaign, both Barack Obama and Hillary Clinton, now secretary of state, pledged to reopen NAFTA to better protect the environment, American workers, and American jobs. Perhaps most unsettling, the unfolding crisis in North American capitalism has not only fuelled a growing wave of protectionist sentiment in the United States, which may be partially soothed by a massive "shovel-ready" economic stimulus package, but also decimated public confidence in markets and neo-liberal fundamentalism. National states and government have rebounded back

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Despite, or perhaps more accurately because of, these developments, the Obama team has been surprisingly silent about its vision of the future of North American governance. Many commentators have argued that much of Obama's electoral rhetoric about reopening NAFTA was simply that—promises made during the heat of a primary and an election campaign to recruit voters in America's heartland who have seen their jobs and communities disintegrate in the face of corporate outsourcing, government neglect, fraud, corruption, and financial collapse.

These are the dubious legacies of America's experiment with market fundamentalism in this century. In this context, NAFTA occupies a place in the contemporary battered American psyche as a shorthand for the hegemon's ultimate encounter with the new global politi-

cal economy and all that has been lost—certainty, security, and wealth. Reopening NAFTA, as undoubtedly Obama's Ivy League economic team is keenly aware, is down the list of priorities when compared with a traumatized domestic economy, mounting trade deficits, and staggering public debt.

NERVOUS NEIGHBOURS

The mere talk of revisiting NAFTA, however, has been unsettling for Canada and Mexico. Prime Minister Harper expressed his profound opposition to revisiting NAFTA, while posturing that Canada was in a far stronger position than it was 20 years ago to use energy to lever a better deal. The subsequent collapse of oil prices, mounting American concerns about tar sands "dirty oil," and Obama's overriding ambition to make green energy the centrepiece of his economic recovery program obviously weaken Harper's veiled threat and the energy negotiating card.

More desperately, Mexican President Felipe Calderon slipped into Washington, days before the inauguration, for a private meeting with Obama, undoubtedly fearing that any promised changes to NAFTA's environmental and labour side-agreements would further undermine Mexico's slipping position within NAFTA. Displacement by China as the United States' second largest trading partner, an escalating spiral of illegal migration, narco-capitalism, and rampant corruption increasingly threaten to marginalize Mexico in any future continental negotiations. The prevailing wisdom is that these very real problems as well as Mexico's ongoing resistance to demands to privatize its oil reserves render Mexico ineligible to play in the North American big league until these issues are resolved.

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The powerful cabal of corporate and political actors, which have successfully institutionalized myriad forms of deeper continental integration since the September 11, 2001 terrorist attacks, are similarly reticent to return to the NAFTA negotiating table, but for different reasons. The North American Competitiveness Council (NACC), an SPP business advisory body composed of ten top corporate executives from each of the three partner countries, cautioned North America's political leaders at the 2008 SPP New Orleans Summit that if NAFTA itself continues to be a target, any efforts to deepen NAFTA will be largely unsuccessful.

SECURITY TRUMPS TRADE

This cabal has expressed increasing concern about the progress of deep integration since the unveiling of the SPP. Once celebrated as “NAFTA on steroids,” the SPP was the product of a political calculation that fused the United States' seeming insatiable hunger for national security after 9/11 with the Canadian corporate vision of a seamless North American market. The SPP represented a trade-off between physical and economic security but, after only three years of implementation, the gamble has backfired: security trumped trade. Both the Martin and Harper governments have dutifully mimicked the security agenda of the US Department of Homeland Security, doling out over \$10 billion to improve border security, acquiescing to various measures to establish a continental security perimeter, and diminishing domestic civil liberties in the process.

None of this has ensured “smart” cross-border flows of supply chains, goods, or people: quite the opposite. Within the past year, such prominent entities as the CCCE, the Fraser Institute, the NACC (North American Competitiveness Council), the C.D. Howe Institute, and the Canadian International Council all have issued reports deriding the SPP as a public-relations disaster.

More specifically, they condemn the SPP's mushrooming security provisions

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as a “security tax” on NAFTA trade, which inflates the actual risk of security breaches relative to the mounting costs of doing business on the continent, makes internal borders thicker and stickier, and feeds bureaucratic empire-building and cash grabs. The SPP has rapidly configured a new continental security regime, while paying few economic dividends for the corporate sector, excluding, of course, the growing security sector.

As a result, Canada's corporate elite has regrouped to reframe its deep integration project with a “new big idea” that advances two core strategies. The first is that any new initiative to further integrate North American governance should exclude Mexico. The new mantra, according to the CCCE, is that “three can talk, two can do” or, as the Fraser Institute puts it, “three can talk, two can walk.”

ENDING BIG BUSINESS'S PRIVILEGED ACCESS

The second core strategy is to build upon existing SPP processes, including regulatory and security harmonization and the empowerment of private sector actors in the policy process. The CCCE, for example, is currently campaigning for an unparalleled degree of regulatory harmonization, a common external tariff and security perimeter, joint command of land and naval forces, and an enhanced role for the NACC. A 2008 C.D. Howe report recommends the privatization of key border security and customs powers.

It remains an open question whether the new Obama administration will listen to the growing chorus of business leaders and corporate-funded think tanks demanding the acceleration and intensification of continental integration, but

initial signs suggest that the window may be closing for the very idea of a new big idea. President Obama has committed to ongoing participation in the annual meetings of the “three amigos.” But he also promises to end big business's privileged access to that forum by drawing labour, environmental, and civil society groups into future discussions about North American governance.

Secretary of State Hillary Clinton's responses at her Senate confirmation hearing are more telling. Although her testimony underlined the central importance of America's North American partners to the new administration, it did not betray a vision of a singular North American economic space or political community. Rather, she saw critical oil resources to the North, and challenging migration problems and a drug war to the South. It is likely that the SPP-inspired processes of incremental regulatory, security, energy, and infrastructural harmonization between Canada and the United States will proceed under the radar, as it has for the past three years. The Obama administration, however, shows little political appetite or sense of urgency for a new and bold vision of North America.

On this side of the border, some commentators have suggested that Obama's incredible popularity among Canadians might provide a fertile platform for Harper to pursue deeper forms of economic integration with the United States. Maybe, but I would not bet a subprime mortgage on it. It is doubtful whether the deep integration project can be ratcheted up amidst the unprecedented market failures and citizen insecurities arising from the past decade's failed experiment with market fundamentalism and the growing crisis of liberalized global capitalism. 🍀