



# REQUIEM FOR AN IDEA

North America and  
Deglobalization

# ESNA 2017

Gary Hufbauer, Petersen  
Institute for International  
Economics.

“The New Outlook for Canada/U.S.  
Trade Relations.”

US Withdraw from TPP-12

Spring 2017, NAFTA threatened with  
termination.

NAFTA “Renegotiation” underway

Anti-globalists on the march?



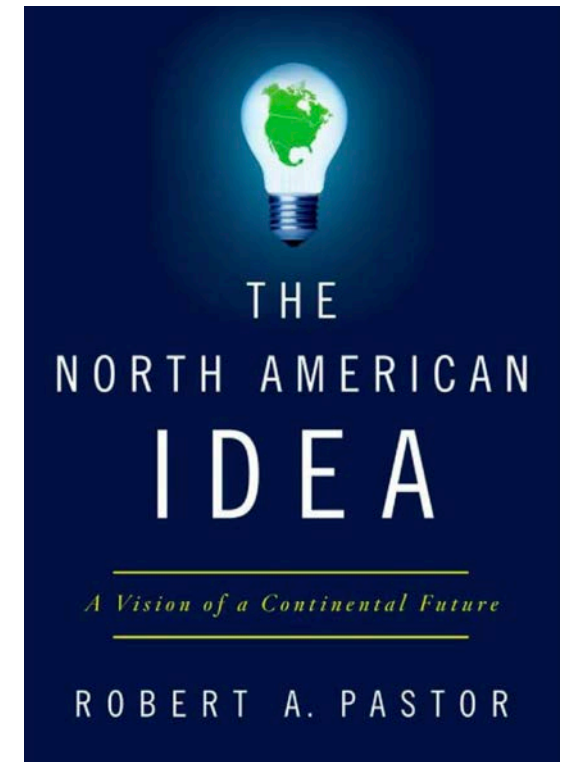
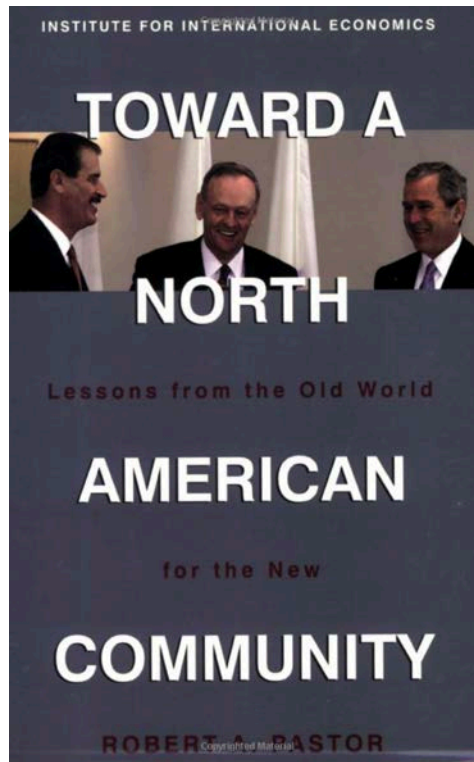
# WITHER NAFTA?

North American Idea?



America First?





ROBERT PASTOR, 1947-2014

# THE IDEA

2001

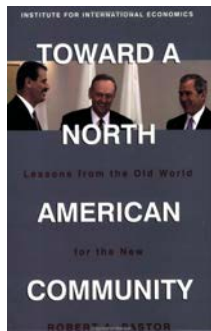
EU Project squarely in mind

Customs Union

Common Market

Monetary Union

EU over-governed, NA not enough



2011

Recognized North American Differences

Many areas of potential cooperation

Income inequality

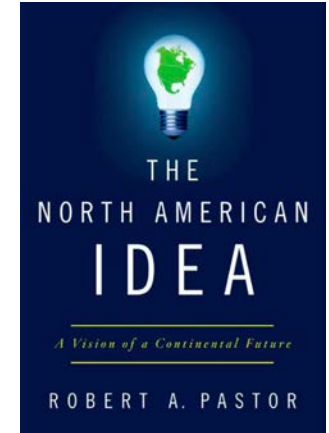
Infrastructure deficits

Regulatory burdens

Border Management and Security

Natural disaster Preparedness

Immigration and Labor Market Reforms





1. Asymmetrical Power
2. Security Trumped Trade
3. Leadership vacuum
4. Anti-trade populism



WHO OR WHAT KILLED THE  
“IDEA”?

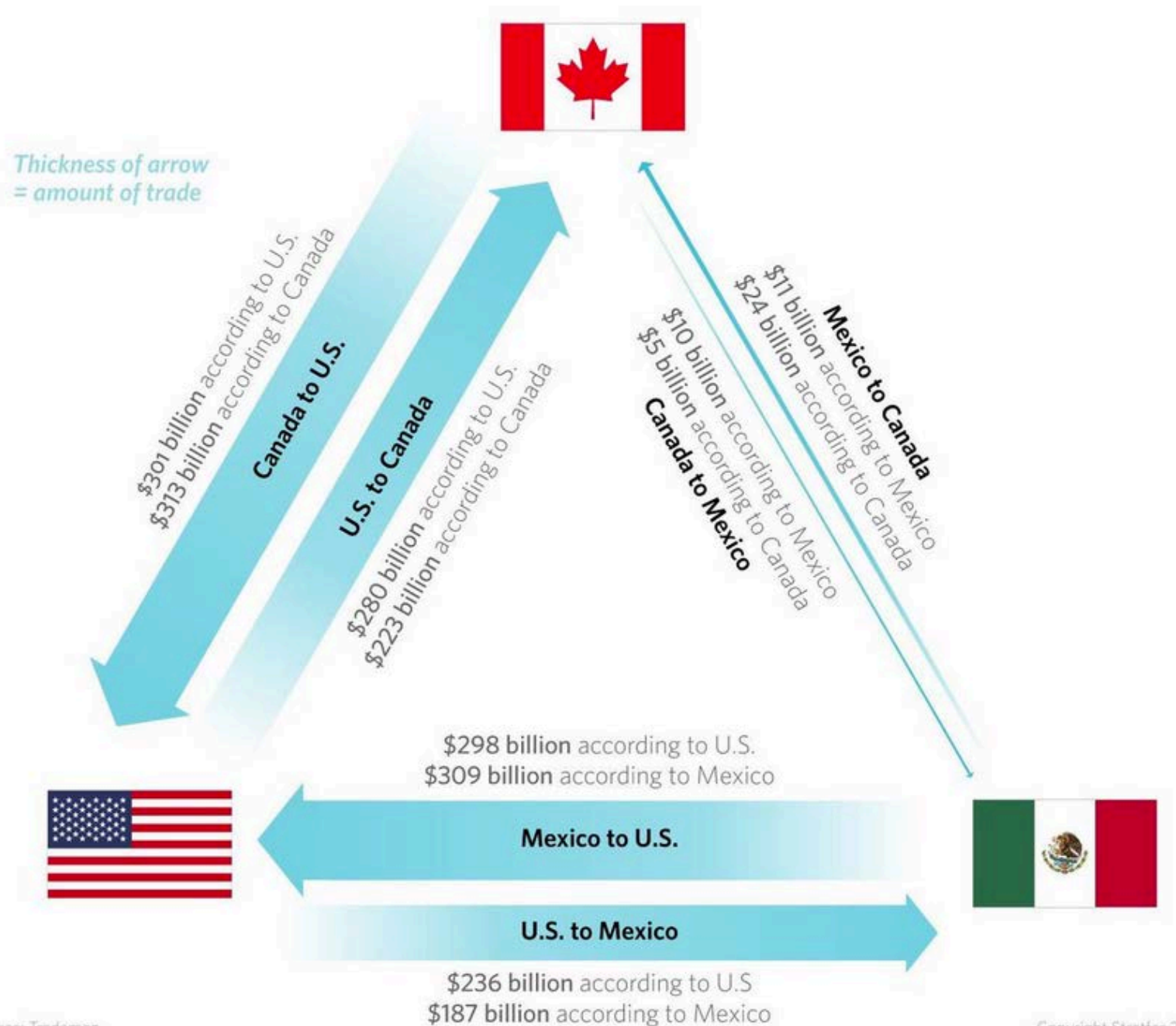
# #MAGA and Economic nationalism

- Trans Pacific Partnership
- NAFTA?
- KORUS?
- Border Wall
  - Immigration
- Focus on Trade Deficits
  - China
  - Mexico
- “Buy America”



# Trade Between NAFTA Members

Or “a big nothing burger”?





|                           | 1975    | 1987    | 1994    | 2000    | 2012     | 2015     | 2016     | 2017     | 2018     | 2019      | 2020     |
|---------------------------|---------|---------|---------|---------|----------|----------|----------|----------|----------|-----------|----------|
| <b>Canada</b> GDP         | \$170   | \$420   | \$560   | \$770   | \$1,780  | \$1,550  | \$1,528  | \$1,649  | \$1,722  | \$1,741.5 | \$1,643  |
| % of North American GDP   | 9%      | 7.9%    | 7.0%    | 6.5%    | 9.3%     | 7.5%     | 7.15%    | 7.4%     | 7.3%     | 7.1%      | 6.9%     |
| Exports + Imports as %GDP | 47%     | 53%     | 67%     | 85%     | 63%      | 65.4%    | 52.5%    | 52.4%    | 53.5%    | 52.3%     | 48.9%    |
| <b>Mexico</b> GDP         | \$88    | \$140   | \$420   | \$581   | \$1,178  | \$1,144  | \$1,078  | \$1,159  | \$1,222  | \$1,269   | \$1,076  |
| % of North American GDP   | 4.7%    | 2.6%    | 5.9%    | 5.2%    | 6.1%     | 5.5%     | 5.05%    | 5.2%     | 5.2%     | 5.2%      | 4.5%     |
| Exports + Imports as %GDP | 17%     | 33%     | 38%     | 64%     | 66%      | 72.9%    | 71.6%    | 72.6%    | 75.85%   | 73.1%     | 75.35%   |
| <b>United States</b> GDP  | \$1,600 | \$4,700 | \$7,017 | \$9,764 | \$16,240 | \$17,946 | \$18,745 | \$19,543 | \$20,612 | \$21,433  | \$20,937 |
| % of North American GDP   | 86%     | 89.3%   | 87.7%   | 88.2%   | 84.5%    | 86.9%    | 87.8%    | 87.4%    | 87.5%    | 87.7%     | 88.5%    |
| Exports + Imports as %GDP | 16%     | 19%     | 22%     | 26%     | 29%      | 28.1%    | 19.7%    | 20.2%    | 20.75%   | 19.6%     | 18.3%    |

|              | Canada   | Mexico  | United States  |
|--------------|--|---|--|
| Exports to   | United States (73.25%)<br>China (4.86%)<br>UK (3.83%)      | United States (79.24%)<br>Canada (2.67%)<br>China (1.87%)                     | Canada (17.83%)<br>Mexico (14.87%)<br>China (8.72%)<br>Japan (4.48%)                     |
| Imports from | United States (48.84%)<br>China (14.09%)<br>Mexico (5.52%) | United States (43.92%)<br>China (19.19%)<br>S. Korea (3.84%)<br>Japan (3.63%) | China (19.01%)<br>Mexico (13.01%)<br>Canada (11.48%)<br>Japan (5.09%)<br>Germany (4.88%) |

**A LOT OF  
CANADIAN  
AND  
MEXICAN  
BREAD IS  
BUTTERED  
IN A  
SINGLE  
MARKET**



# NORTH AMERICA'S INSTITUTIONAL DESERT

## NAFTA— Shallow institutionalization

- Sovereignty remains paramount
- No pooled sovereignty
- No Labor Mobility
- Binding DSU.... Not Really.
  - Ch. 19?, Ch. 11 (ISDS).
- Secretariat “run” out of trade ministries
- Annual NAFTA Commission meetings— No PMs/Presidents
- No formalized “Summitry”
- U.S. gets most of what it “wants” trilaterally through NAFTA
  - Buries the NA agenda in shallow institutions





## INSTITUTIONAL SURPRISE: THE ENVIRONMENT

No supranational institutionalization

But has fostered significant exchange of information, expertise

Act as a kind of pressure group on the three governments.

Missed demonstration effect opportunity for COP process.

# NORTH AMERICA STALLED

1994 NAFTA implemented

- Zapatista Rebellion
- Tough fight in U.S. over implementation
- U.S. trade agenda stalled thereafter
- Clinton seldom mentions NAFTA again

Yet, “Next Steps” on many minds

NAFTA’s unfinished agenda

- 30+ working groups
- Numerous blue-ribbon panels
- Irritant-specific processes

# TOWARD A



# NORTH

Lessons from the Old World

# AMERICAN

for the New

# COMMUNITY

# THEN...

## PRECEDENT SET

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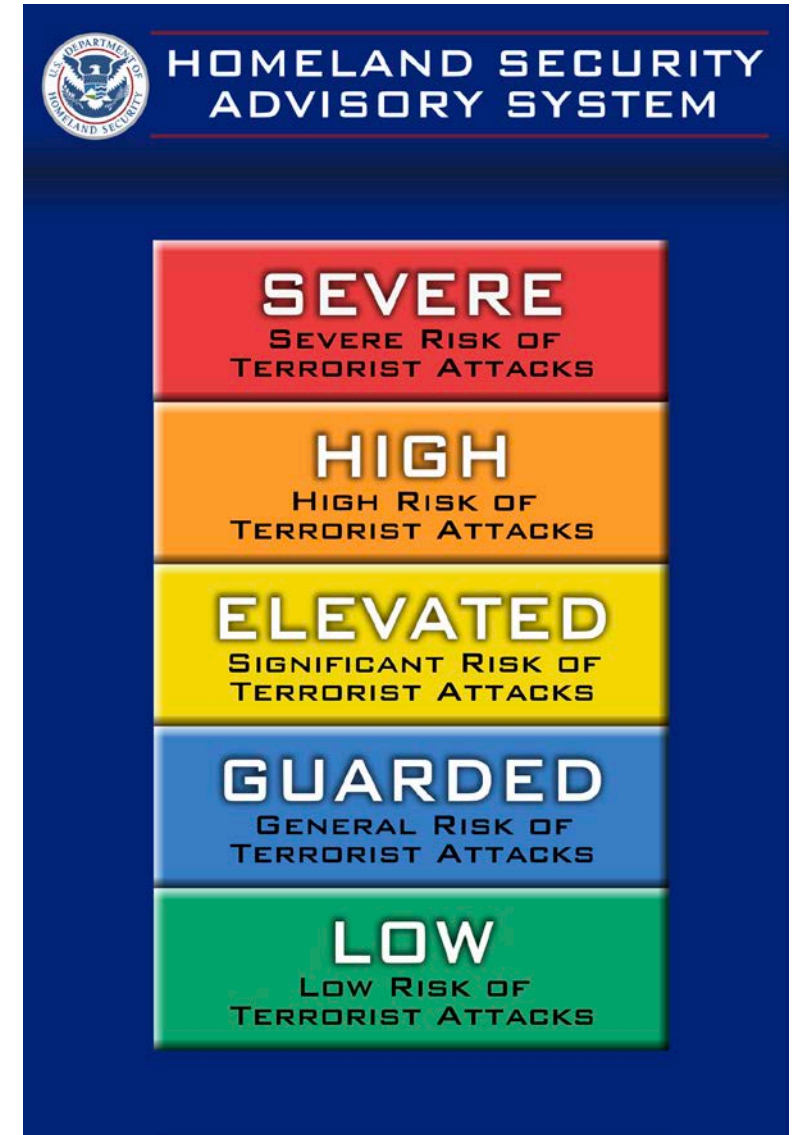




# THREATS AROUND EVERY CORNER

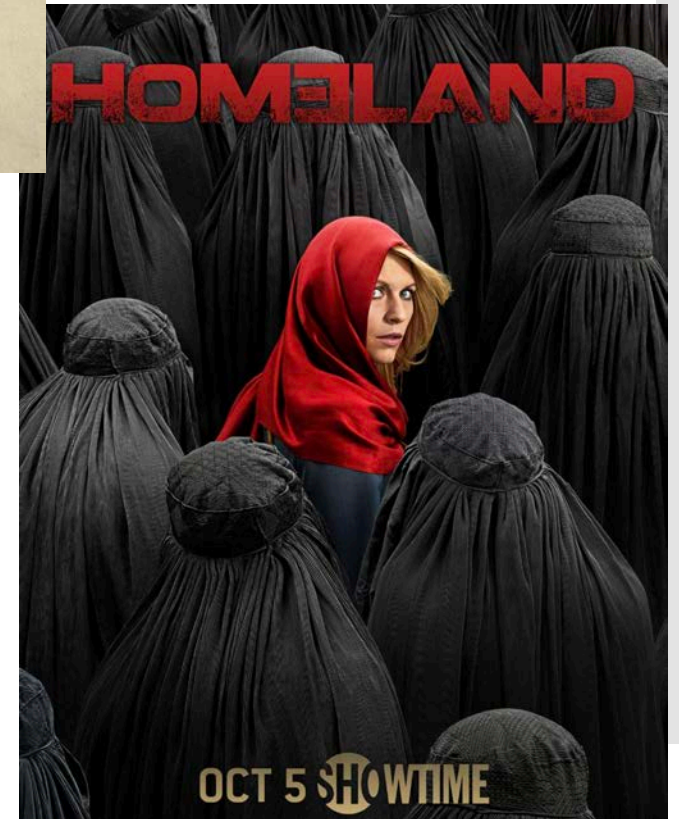
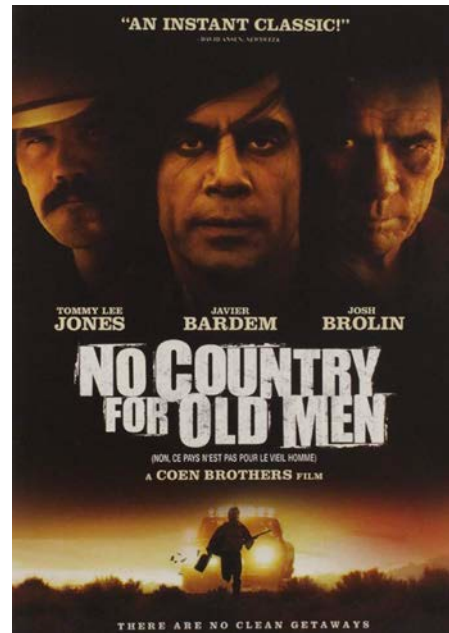


Report suspicious activity to local law enforcement  
or call 9-1-1 in case of emergency





# DHS and Borders in the Popular Culture





## POST-9/11 AGENDA

North American agenda  
reinvigorated by Security

- Wedded to the mature economic agenda late 2001
- Smart Border Accords
  - Cobbled together left-overs from 1990s.
  - Really the start of dual bilateralism

Formalized by Security and  
Prosperity Partnership 2005

Created North America's first  
formal summit process, the  
North American Leaders Summit  
(NALS).

# THREE'S A CROWD....?



# THE DECLINE OF TRILATERALISM

SPP (2005-2009), was a last gasp of trilateralism.

- Explicit marriage of security and economics
- Huge agenda, over 300 items

Fatally flawed process

- No legislative oversight
- No civil society or business participation
- Wedded mature trade agenda with dynamism of security

Pena Nieto, Harper, and Obama not present at the creation.

Gave conspiracy theorists new material

However, firmly entrenched idea that “Security Trumps Trade”





# DEATH OF TRILATERALISM

Security and Prosperity Partnership, RIP 2008-2009

North American Energy Working Group, RIP

North American Competitiveness Council, RIP 2006-2007 (arguably stillborn, in 2006)

Ottawa's efforts to re-bilateralize.

- Mexican Visa spat 2009

NADBank— Canada repeatedly invited to join.

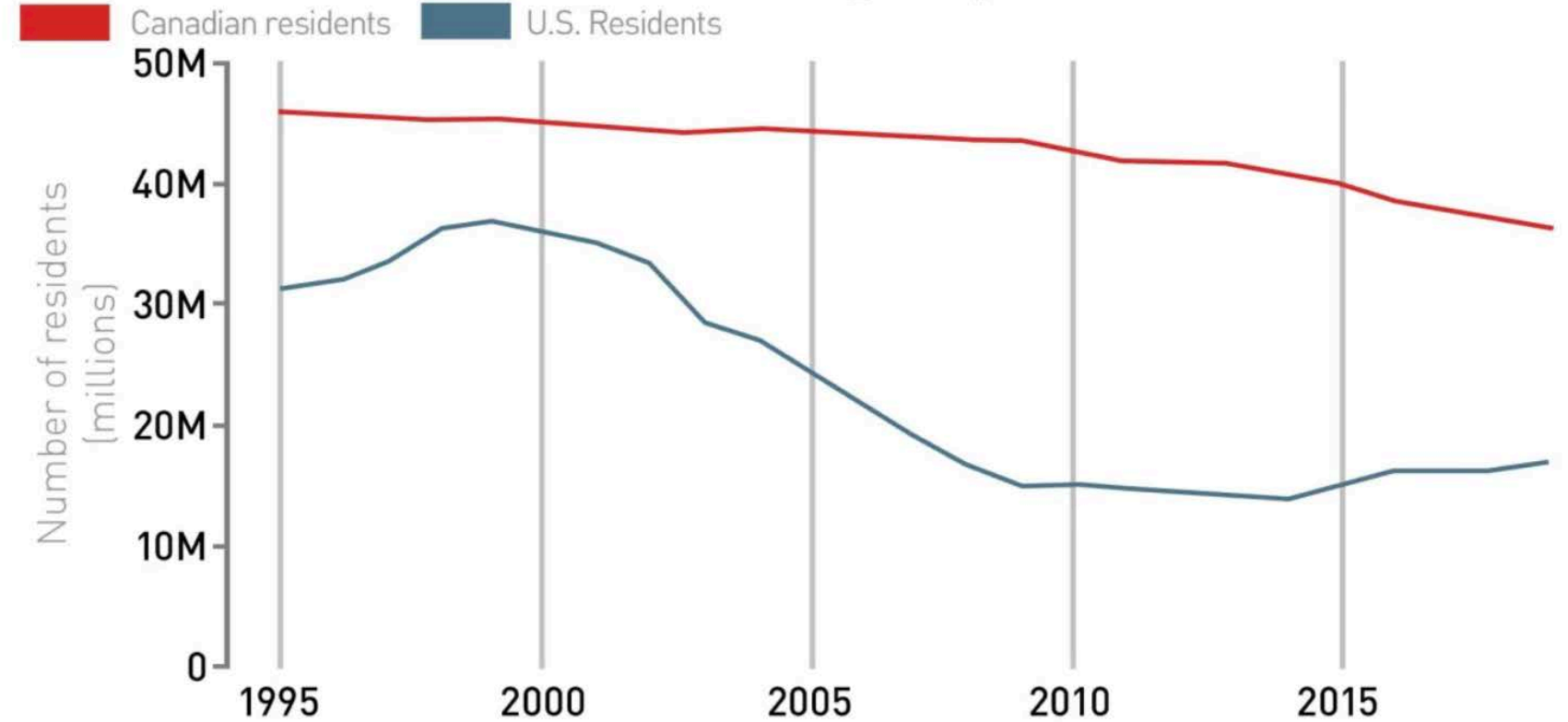
Trudeau promised to reach out to Mexico City



# BORDER THICKENING?



## Canada-U.S. cross-border trips by automobile



CBC NEWS

Source: Statistics Canada

# Our Shared Border: Key to Security and Prosperity



Canadian Embassy  
PR: Circa 2007



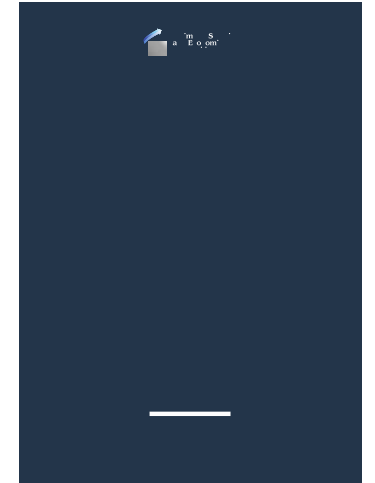
# Our Shared Border: Key to Security and Prosperity



Canadian Embassy  
PR: Circa 2007



# BEYOND THE BORDER, 2011





# Hub and Spoke, Dual Bilateralism

## Mexico

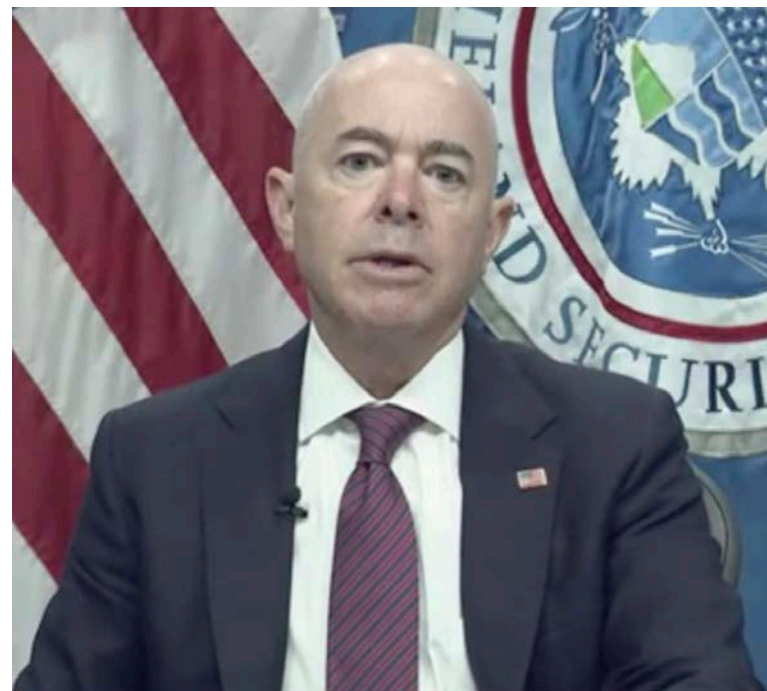
- U.S.-Mexico High-Level Regulatory Cooperation Council, est. March 2011
- Merida Initiative, 2007
- Cooperation on Energy
- Bilateral Framework on Clean Energy and Climate Change, 2009

## Canada

- Regulatory Cooperation Council, est. February 2011
- Shiprider Agreement
- Winter Olympic Security
- Cargo Pre-Clearance?
- Cooperation on Energy
- Canada-U.S. Clean Energy Dialogue, 2009
- Border Infrastructure Investment, 2013
- Cargo pre-clearance Pilot, 2015



Mostly A Cop Shop



# + Department of Canada and Mexico

- DHS Runs North American Agenda
  - Asymmetrical borders increasingly treated symmetrically. “Thickening”
- Stand up of DHS has fostered significant transgovernmentalism
  - Public Safety-Canada
  - Gobernacion- Mexico







# Alphabet Soup of Border Measures





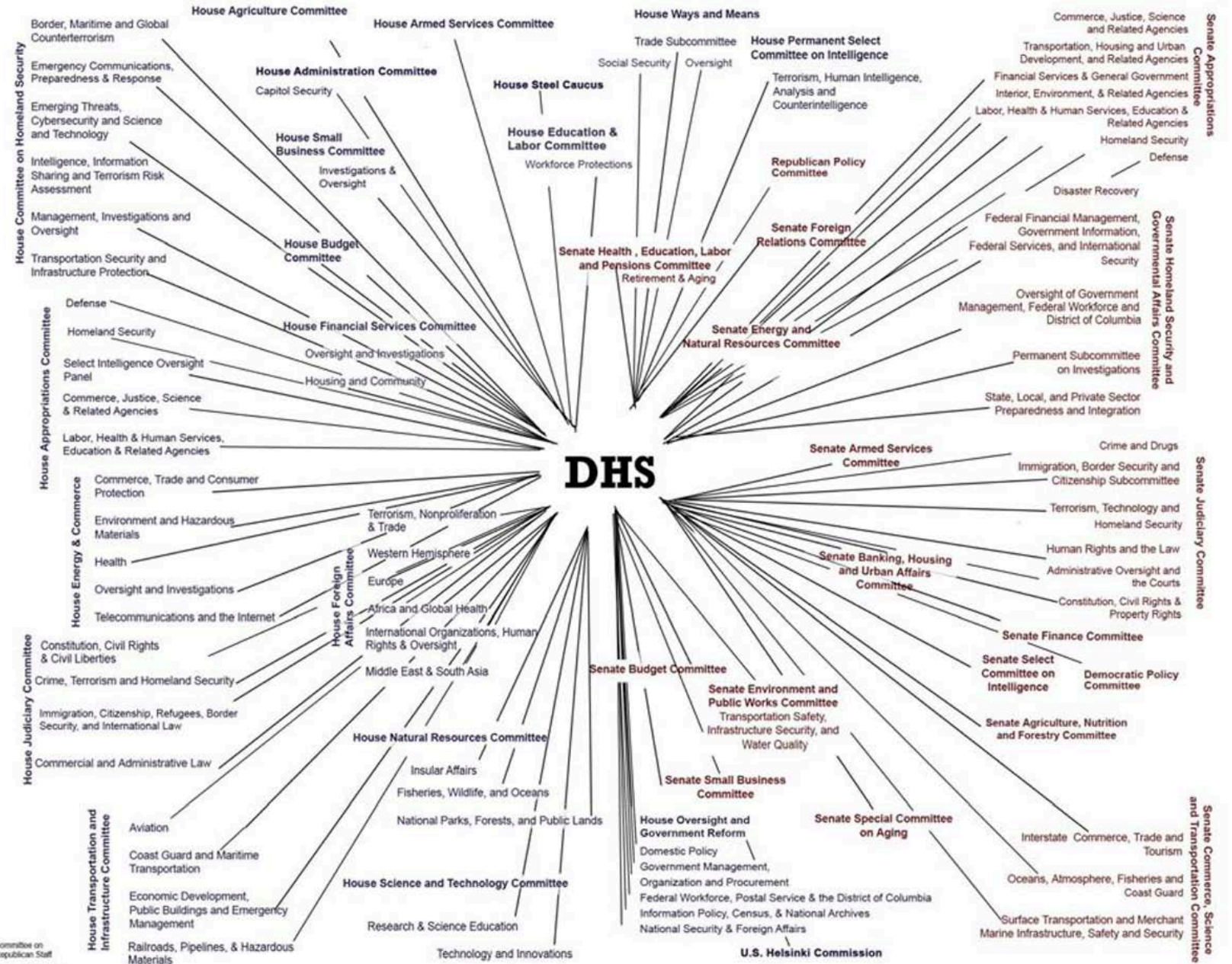
# 86 Committees and Subcommittees

Source: DHS "Bottom Up Review" 2010

U.S. House of Representatives

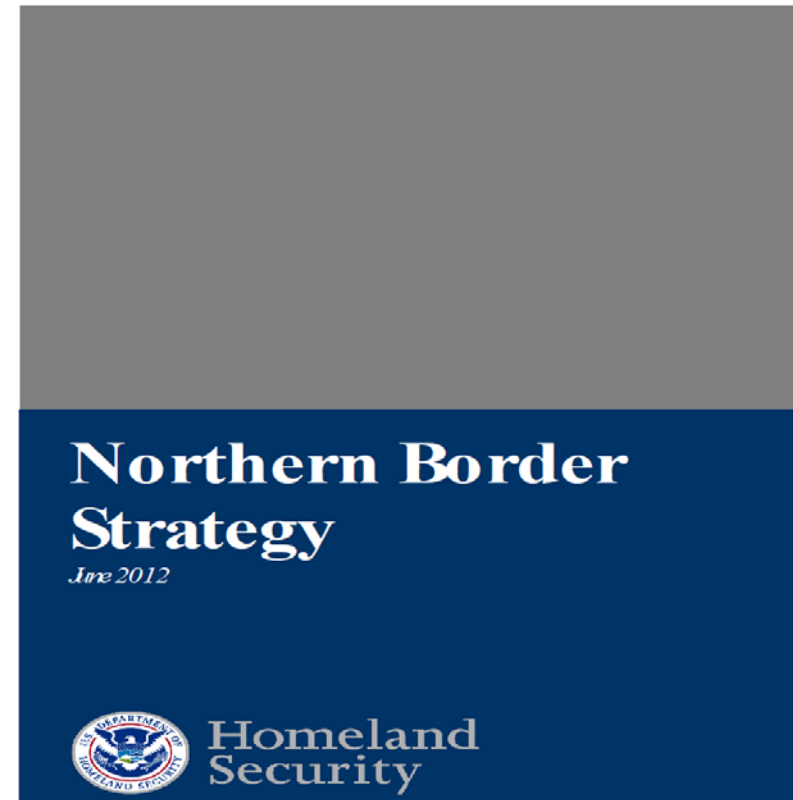
## CONGRESSIONAL OVERSIGHT OF DHS By 108 Committees and Subcommittees 110th Congress

U.S. Senate



# + DHS vs. North American Idea

- DHS driving an increasingly symmetrical approach to Northern and Southern borders.
- Intelligence gathering/responsibility growing.
- As part of BTB, Harper agreed to provide “exit” data to US-VISIT program.
- DHS not set up to advance the “Idea.”



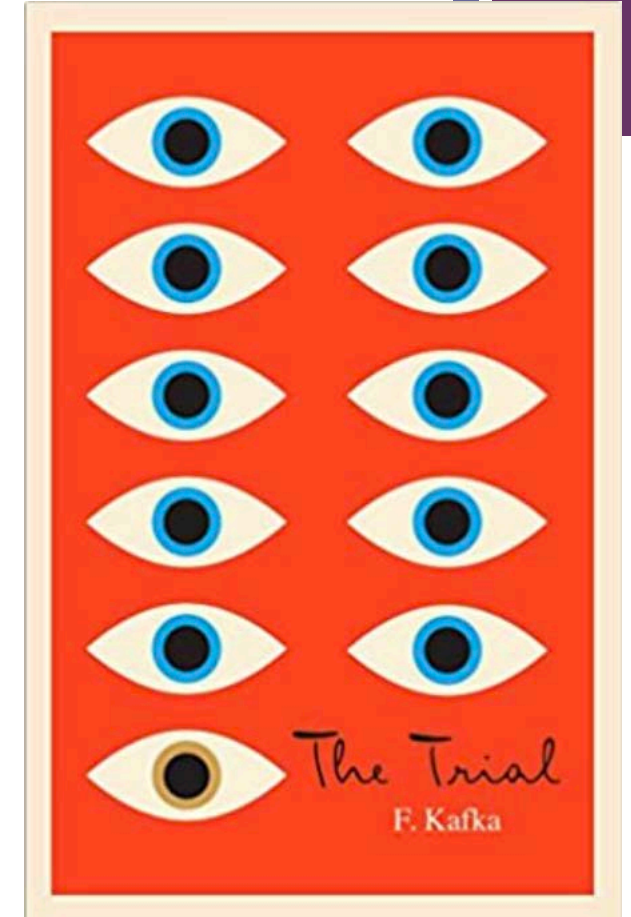
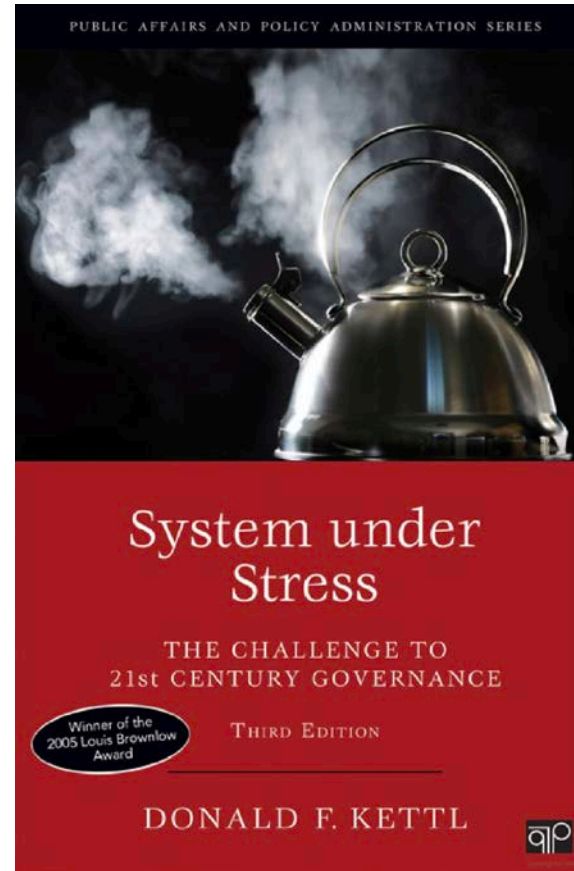
# + DHS: D Stands for Dysfunction?

- Bureaucratic work in progress.
  - 22 Agencies, 240,000 employees
- Outreach to sub-feds, first-responders
- DHS morale worst in Federal Government.
  - Many acting, and vacant senior positions.
  - Turf battles over basic DHS function being lost to other agencies, especially vis the Intelligence Community.



# + DHS: D Stand for Leviathan?

- DHS has done a lot of work with state and local.
- Fusion centers (79) to synthesize flow and gathering of information.
- Equipment and communications for first responders
  - Militarization of local police (Ferguson, MO)





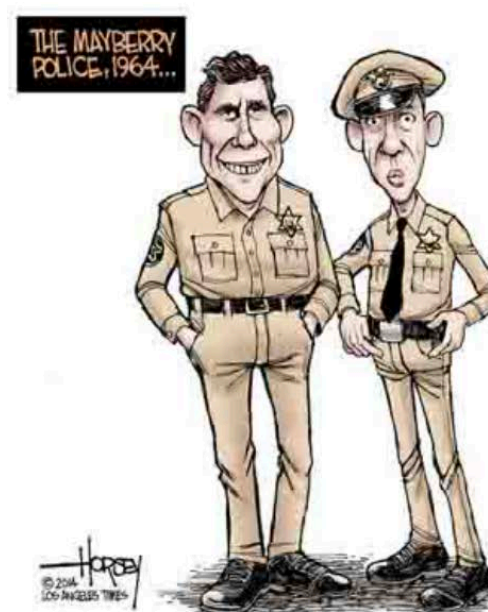
# + DOD's Excess Property Program: \$1.2billion 2015-2017

**Table 3.2**  
Current Property Held by LEAs: Top 20, by Value (FY 2016 dollars, DoD purchase price)

| Property Description                                | Quantity         | Value (\$)           |
|---|------------------|----------------------|
| <i>Grand total</i>                                  | <i>1,567,635</i> | <i>1,888,559,339</i> |
| Mine resistant vehicle                              | 849              | 582,950,991          |
| Truck, utility                                      | 5,608            | 284,975,379          |
| Aircraft, rotary wing                               | 9                | 144,200,000          |
| Aircraft, fixed wing                                | 18               | 123,321,000          |
| Helicopter, utility                                 | 95               | 87,612,794           |
| Helicopter, observation                             | 313              | 37,295,725           |
| Helicopter, search and rescue                       | 8                | 28,853,000           |
| Rifle, 5.56 millimeter                              | 64,689           | 27,834,376           |
| Truck tractor                                       | 172              | 23,099,425           |
| Combat/assault/tactical wheeled vehicles            | 97               | 21,896,158           |
| Truck, armored                                      | 302              | 19,647,847           |
| Image intensifier, night vision                     | 5,141            | 19,547,195           |
| Helicopter, flight trainer                          | 23               | 19,168,200           |
| Visible and invisible light communication equipment | 112              | 19,040,000           |
| Truck, cargo  | 218              | 15,447,152           |
| Comms, equip.                                       | 3                | 15,000,000           |
| Mk3mod0 knife                                       | 77               | 13,919,644           |
| Unmanned vehicle                                    | 72               | 12,857,216           |
| Sight, thermal                                      | 1,346            | 12,362,899           |
| Airplane, cargo-transport                           | 15               | 11,753,875           |

SOURCE: Data provided by LESO to RAND.

NOTE: Value based on DoD purchase price.

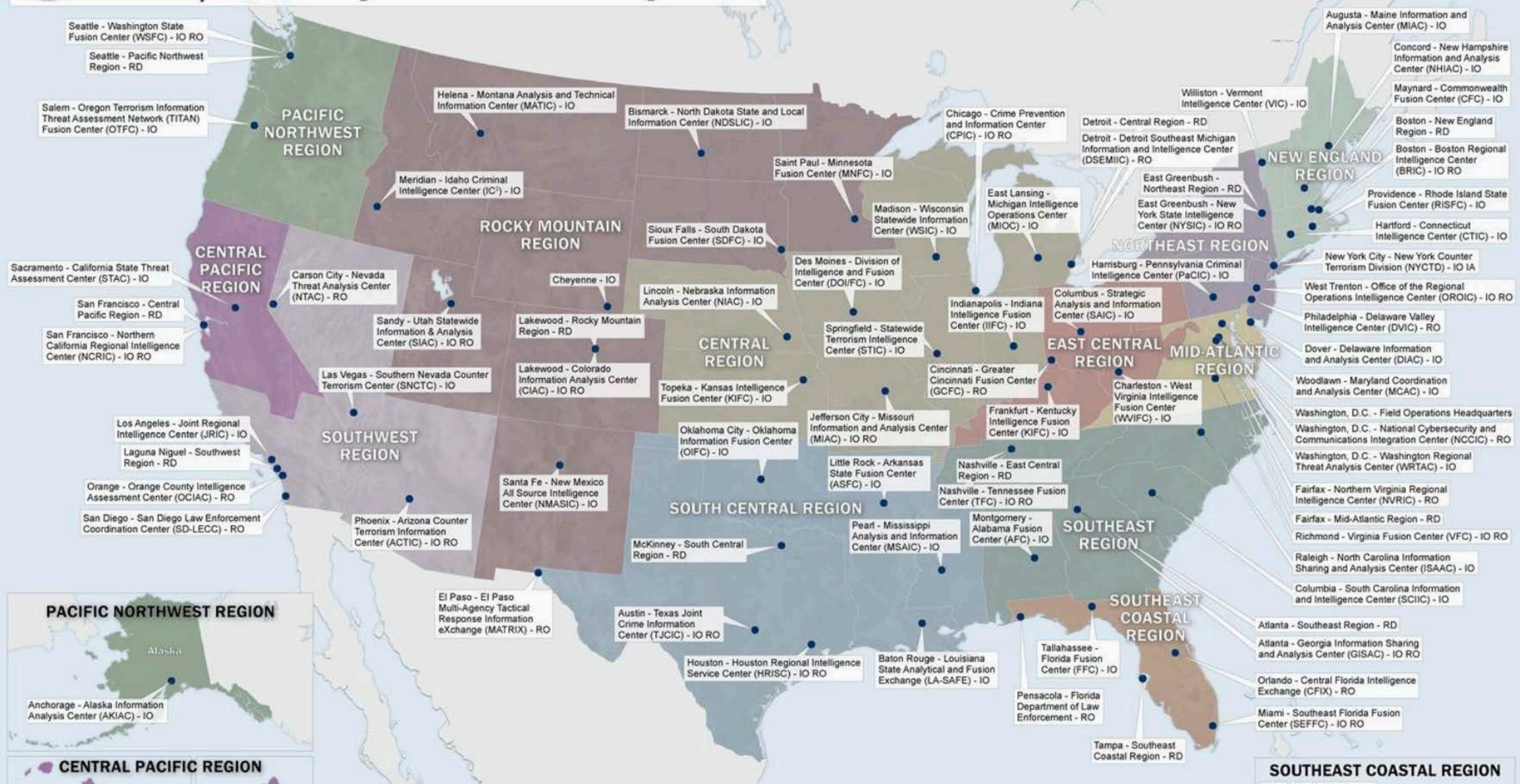






# Homeland Security

## DHS Office of Intelligence and Analysis Field Operations Division Footprint





## SNAPSHOT 2018 (U) Summary of the National Network of Fusion Centers

(U//FOUO) The National Network is composed of an integrated system of state and local fusion centers. Fusion centers serve as the focal points for the receipt, analysis, gathering, and sharing of threat-related information. A summary of the National Network in 2018 can be depicted through a snapshot of budget, personnel, focus, partners, special event support, and output. This snapshot represents data submitted by 78 of 79 fusion centers.

### PRIMARY MISSION\*



### GOVERNANCE BODIES\*

Governance bodies or formal alternatives include multidisciplinary participation.

Fusion centers that have governance bodies or formal alternatives



### STAFF

- Total SLTT and private sector staff: **2,867**
- Fusion center analysts: **1,302**
- **26** new fusion center Directors in 2018, for a total of **115** since 2014.
- **27%** of all state, local, tribal, and territorial fusion (SLTT) fusion center personnel are representatives funded by partner agencies.



### PRIMARY DISCIPLINE OF PERSONNEL



### ACCESS TO CLASSIFIED INFORMATION\*

- **99%** of fusion centers have access to either Homeland Secure Data Network (HSDN) and/or Federal Bureau of Investigation Network (FBI/Net).
- **67%** of all SLTT fusion center personnel who need a clearance have one; an additional 8% have requested a clearance.
- **9%** of SLTT fusion center personnel have Top Secret clearance and Sensitive Compartmented Information (SCI) access, and such systems are located either in 17 fusion centers or in the same building.



\* Data represents number of fusion centers.

### OPERATIONAL COSTS



### COLOCATION\*

78 fusion centers are colocated with one or more partners, including:



### EVENT AND INCIDENT SUPPORT

Fusion centers supported **5,390** special events, including National Special Security Events (NSSE) and those with a Level 1 (Federal support) through Level 5 (state and/or local resources) Special Event Assessment Rating (SEAR).



### Top five Direct Roles for Special Events

- Monitored open source intelligence **33%**
- Conducted threat or vulnerability assessment **17%**
- Vetted Suspicious Activity Reports (SARs) **10%**
- Deployed personnel to the incident site or operations center **7%**
- Monitored HSIN Connect (SitRoom) **6%**

Fusion centers supported **24** major disaster declarations.

Fusion centers supported **20** active shooter events.

### PRODUCTS

➤ **3,973** products were shared with the National Network by fusion center during the 2018 Assessment.



- **81%** of fusion center analytic products address Homeland Security topics.
- **174** distributable analytic products co-authored by one or more fusion centers and/or federal agencies.
- **71%** of distributable analytic products address state/local customer information needs.
- **79%** of key customers report that fusion center products are timely for mission needs.

### FUSION LIAISON OFFICER (FLO) PROGRAM\*

Fusion center FLO Programs include multidisciplinary participation.



# DHS INDUSTRIAL COMPLEX?

First Meeting, Dallas, TX, 2005

2022, 80+ Exhibitors

- Small tech firms
- Security consultancies
- Defense Contractors
- Academics
- Government





September 2001  
or March 2020?:  
Precedent  
Revisited





COULDA BEEN WORSE?

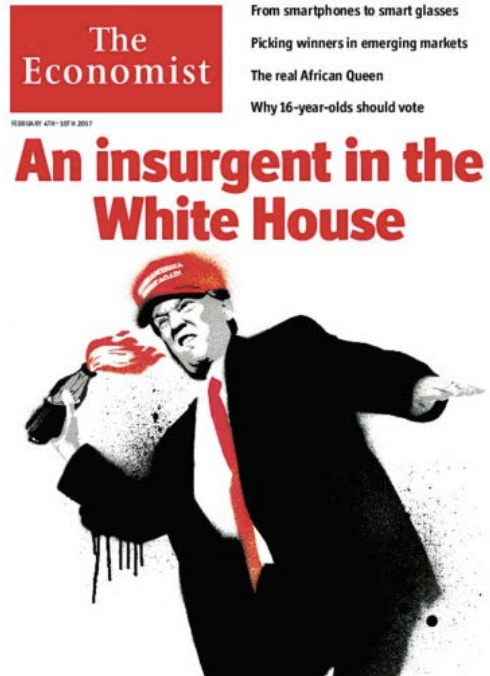
January 23, 2017, Trump  
Withdraws from TPP.

March 2017, threatens to  
invoke NAFTA Article 2205.  
Withdraw in 6mos

April 26, Trump Agrees to  
NAFTA Renegotiation



# TRUMP TRUMPS TRADE....



**Donald J. Trump** ✓  
@realDonaldTrump

[Follow](#)

We are in the NAFTA (worst trade deal ever made) renegotiation process with Mexico & Canada. Both being very difficult, may have to terminate?

6:51 AM - 27 Aug 2017

17,017 Retweets 70,644 Likes



# CANADA'S "THREE'S A CROWD" STRATEGY

Feign cooperation.

Agree that NAFTA needs modernizing

Put "progressive" trade agenda on the table

- Gender, Aboriginal, Labor, Environment on table

Work allies in the United States

Stall for time

Hope for the best.



# TIMELINE....

August 2017 NAFTA 2.0 Talks begin in Washington

Spring 2018, talks stalled

Mexico returns to table early August 2018.

August 26, 2018, US-Mexico announce they've reached a deal

- Pressure for Canada to Return to the Table

September 30 2018, US-Canada announce they too have struck a deal.

April 2019, House Democrats balk at USMCA. Want changes on Environmental Enforcement and Worker Rights.



# The Renegotiation Agenda

- Chapter 4: Rules of Origin
- Chapter 7 : Agriculture, Sanitary and Phytosanitary Measures
- Chapter 10: Government Procurement
- Chapter 11: Investment (ISDS)
- Chapter 16: Temporary Entry (Business People)
- Chapter 17: Intellectual Property Rights (Patent Protections)
- Chapter 19: Dispute Settlement (Anti-dumping/CVD)
  
- E-Commerce, Regulatory Cooperation, sunset clause
- Gender, Aboriginal chapters?
- Labour and Environment?



## Chapter 4: Rules of Origin

Prevent “transshipment” of goods by non-members into NAFTA.

Compliance costs high; opt for WTO MFN Rates

Solution: Customs Union. Harmonize tariff schedules of all three countries so same tariffs applied to non-NAFTA members.

234 pages (NAFTA ROO, 175pgs)

Raises NA Content Requirement from 50% to 75%.

40%-45% must be produced with labor \$16/hr.

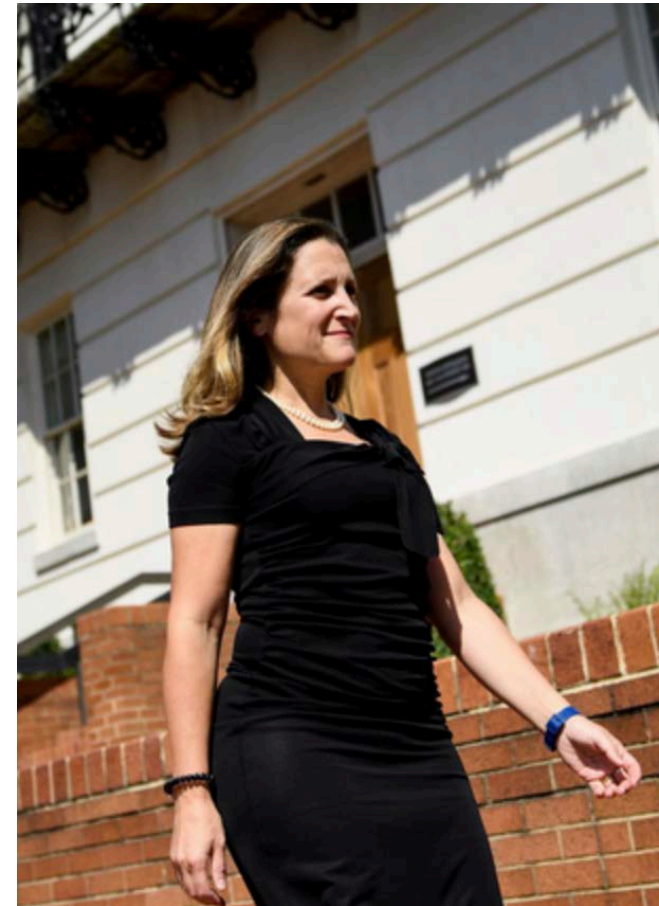
# Chapter 19 and Chapter 11

Chapter 19 (now 10):  
Dispute Settlement  
(anti-dumping and  
countervailing  
duties)

- For decades a red-line in sand for Canada and Mexico
- Always controversial in US
- Scrapped vis Mexico

Chapter 11 (now 14):  
Investment (ISDS):  
Scrapped

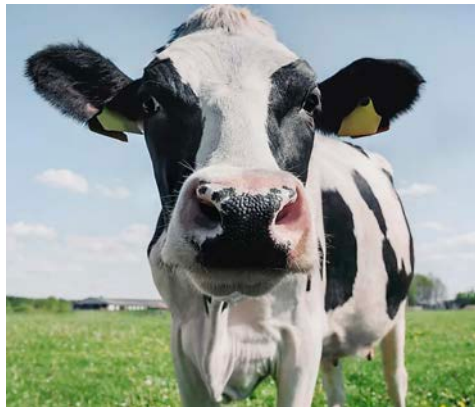
- Except for NAFTA Legacy cases
- Small exceptions in US-Mexico context
- No ISDS for Canada-US disputes



Shades of Simon?

# Sunset Clause, Currency, Energy, Side Letters

- USMCA Expires after 16yrs, “Reevaluation” at 6yrs (Chapter 34).
- Chapter 33 Macroeconomic and Exchange Rate Policy (currency manipulation).
- Article 32.10 prohibition on USMCA members concluding FTA with “non-market” economies (ie. China).
- No significant Energy Chapter revisions (Chapter 8).
- New Digital Trade provisions (Chapter 19)
- Upgrades IPR Provisions (Chapter 20)
- 12 Side Letters: wine, bulk water, national security tariffs and milk.



## Chapter 16: Temporary Entry for Business Persons

- Created an entirely new Visa category, the TN Visa.
- But was a restrictive list difficult to update.
  - New professions have emerged, others disappeared.
- Moved to an education standard

**Nonimmigrant Visas Issued by Classification**

|                     | 2012    | 2013    | 2014    | 2015    | 2016    |
|---------------------|---------|---------|---------|---------|---------|
| H1B                 | 135,350 | 153,223 | 161,369 | 172,748 | 180,057 |
| TN Visa             | 7,638   | 9,548   | 11,207  | 13,093  | 14,768  |
| Spouses/Child of TN | 5,578   | 6,609   | 7,171   | 8,515   | 9,762   |

Source: Department of State, FY2016 Annual Visa Office Report



# CHAPTER 24

Environment moves from “Side Agreement” to inside the text-proper.

Establishes an Environment Committee (Sr. Gov’t Representatives)

Commission on Environmental Cooperation

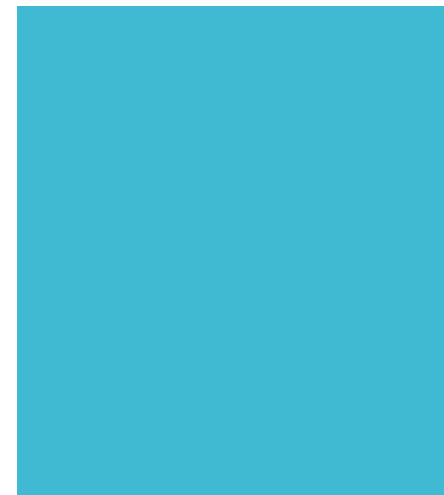
- receive public submissions
- Build evidentiary records
- Be formal part of dispute settlement provisions (Article 31)





Rapid Response Labor Mechanism  
Two of them: Canada-US and  
US-Mexico

Some Faux Trilateralism



# The Good Old Days?

