



Statement to Leaders in Advance of the 2009 North American Leaders' Summit

Introduction

The severity of the global financial crisis that began in 2008 has triggered unprecedented cooperation among governments and central banks around the world. Together, they have worked quickly and effectively to provide both monetary easing and fiscal stimulus that clearly are having an impact. However, short-term stimulus could have serious longer-term effects on inflation and interest rates. In addition, a growing wave of protectionism is threatening prospects for recovery, and the economic outlook remains highly uncertain.

The economies of Canada, Mexico, and the United States are among the most integrated in the world. Measures to enhance the competitiveness of North America have always been critical, but in this global economic downturn it is imperative that the three countries work together more intensively than ever to make the most of their strengths and set the stage for robust and sustained economic recovery. The benefits of greater integration and cooperation in North America are clear. The North American Free Trade Agreement (NAFTA) has enhanced prosperity in all three countries through increased trade and investment, stronger economic growth, and lower prices for consumers.

The North American Competitiveness Council (NACC) is a group of business leaders from Canada, Mexico, and the United States formed in 2006 to gather advice from the private sector on ways to enhance North America's competitive position, promote increased employment, and foster a higher standard of living. The private sector is key to enhancing North America's competitive position in global markets and is a driving force behind innovation and growth. The experience of the NACC over the past three years demonstrates the clear benefits of close cooperation among North America's business communities as well as its governments.

In 2007, the NACC offered recommendations to our governments in three broad categories: keeping our borders open while improving security; enhancing regulatory cooperation; and securing clean, affordable energy for our continent. Much progress has been made but there is still much work to be done in these areas, as well as in additional areas that have arisen subsequently.

We expect the trilateral partnership to evolve over time to meet changing circumstances and needs. No matter what form the partnership may take, we encourage governments to continue to consult with the private sector in all three countries. The NACC stands ready to provide advice and assistance to governments as they work together to strengthen the security and prosperity of North America.

As the three governments prepare for the August 2009 North American Leaders' Summit in Guadalajara, Mexico, we offer some specific recommendations for consideration.

Protectionism and Trade

- We applaud the rejection of protectionism by the members of the G20 in April of this year as well as the support for free trade expressed by Prime Minister Harper, President Calderón, and President Obama in their bilateral meetings. Nevertheless, we are troubled by the number of countries that have implemented protectionist measures.
- The extension of federally mandated Buy American provisions across a wide sector of State and local procurement by the American Recovery and Reinvestment Act ("Recovery Act") is unprecedented and comprises a substantial new trade restriction that is inconsistent with the G20 pledge and undermines the ability of the G20 to resist the adoption of similar provisions. Given the high level of integration of North American and global supply chains, "Buy American" provisions have also hurt the United States economy by delaying urgently needed projects and by excluding an increasing number of companies and workers from bidding on projects funded under the Recovery Act. In the United States, this is particularly pronounced at local levels because local governments are not bound by international agreements.
- The timing and cost of such disruptions – coming in the midst of the worst economic recession in decades – could hardly be worse for our economies. We therefore recommend that the United States Administration, through the Office

of Management and Budget, clarify its intent and interpretation of Buy American provisions to ensure that when state and local governments engage in procurement with the support of federal funds, they award contracts in a manner consistent with the obligations of the United States under international agreements and with both the letter and spirit of the April 2, 2009 pledge by G20 Leaders including President Obama to refrain from raising any new barriers to trade and investment.

- For the same reasons, we urge provinces and municipalities in Canada not to proceed with “buy local” requirements for public procurement that have been proposed in that country. Instead, as the Canadian federal government has recognized, a better approach would be to engage in negotiations either bilaterally or trilaterally over the medium term, to ensure open reciprocal access to government contracts at state, provincial and municipal levels.
- We have similar concerns about the new “Buy Mexican” program, but recognize that it is confined to an awareness campaign rather than an active policy. The Mexican government should continue to build on its recent efforts to promote freer trade.
- The countries of North America should honor their commitments under trade agreements, especially under the NAFTA. In particular, implementing the cross-border trucking provisions of the NAFTA is long overdue. The United States Department of Transportation's cross-border trucking demonstration project – recently cancelled by the United States – was an important step toward enhancing North America’s competitiveness and promoting economic growth. A revamped program is necessary to resolve the cross-border trucking issue between Mexico and the United States so that NAFTA provisions are fully implemented, providing maximum benefits to the North American economies. Without a clear and sustained solution, United States and Mexican farmers, manufacturers, and service providers will continue to suffer the economic consequences.

Energy and Climate Change

- We are encouraged by recent actions in all three countries on climate change and clean energy. Canada and the United States, as well as Mexico and the United States, have recently signed bilateral agreements to collaborate on climate change and clean energy projects. We urge all three countries to pursue opportunities

for trilateral cooperation on climate change and clean energy both within North America and in global fora such as the United Nations Climate Change negotiations.

- Climate change policy must be carefully balanced with energy security in a manner that recognizes the crucial role reliable and affordable energy plays in the economic competitiveness of our three countries, and in supporting economic recovery. Actions to develop low-carbon energy sources should be pursued but we must simultaneously avoid policies which undermine our ability to compete and innovate.
- We applaud efforts to address climate change in North America, but we must ensure that energy and climate policies are not used to create barriers to trade among our three countries. While business should not be disadvantaged due to higher energy costs from the uneven application of climate change policies, border tax adjustments to penalize certain goods from countries that have yet to implement climate policies are not the correct approach. Seeking global consensus on climate policies will minimize the loss of jobs and investment from regions that have taken the bold step of reducing greenhouse gas emissions.

Security, Border Management and Emergency Preparedness

- The rule of law and public safety are fundamental to improving people's lives, attracting foreign investment, and strengthening our economies. We strongly support Mexico's efforts to fight lawlessness and corruption spurred by the drug trade, which is affecting communities in all three countries. In addition, we support the actions Canada and the United States are taking to combat organized crime – in particular with respect to illegal cross-border traffic of people, drugs, and arms – and we encourage further action and collaboration among the three countries.
- Recognizing that efficient, even seamless, cross-border flows within North America are vital to the competitiveness of enterprises and the well-being of families in all three countries, we must ensure that measures taken to combat organized crime and increase security do not undermine these critical objectives. We must take full advantage of new technologies, invest in border infrastructure, enhance regulatory cooperation, increase training, and expand shared enforcement initiatives to make our security and prosperity goals mutually supportive.

- Our three governments have made progress in planning for pandemics and other emergencies, but the declaration by the World Health Organization that H1N1 swine flu has reached global pandemic proportions is a reminder of the continuing need for vigilance and cooperation in monitoring and controlling the spread of infectious diseases. Effective response is a shared responsibility of governments at all levels, as well as the private sector, nongovernmental organizations, and individual citizens. Coordinated planning is necessary to minimize the economic impact of pandemics and health emergencies that could disrupt cross-border flows of people and goods.

Regulatory Cooperation and Protection of Intellectual Property Rights

- Stronger regulatory cooperation will make our integrated North American community more competitive. It is essential that our three governments work together to ensure the compatibility of new regulations while reducing unnecessary differences in existing rules and standards. Additionally, we must cooperate in the rigorous protection of intellectual property rights, which are a vital part of sustaining and developing innovative economies. The private sector has presented specific recommendations for a trilateral Intellectual Property Action Strategy, and we urge rapid progress in implementing these recommendations.

Conclusion

Trilateral cooperation on borders, regulation, energy, and other important issues is essential to the prosperity and security of North America. We and the business communities we represent trust that our advice to date has assisted Leaders in choosing priorities and driving progress. Going forward, the NACC stands ready to offer our ideas and expertise, and we hope the three governments will continue to consult with the NACC.