



**REKINDLING THE SPIRIT OF 1993:  
FORGING A NEW PATH FORWARD FOR NORTH AMERICA**

**NOTES FOR REMARKS BY THOMAS D'AQUINO  
CHIEF EXECUTIVE AND PRESIDENT  
TO THE NORTH AMERICAN FORUM  
WASHINGTON, JUNE 17, 2008**

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In 1993, Canada, Mexico and the United States set an example for the world. Our *North American Free Trade Agreement* (NAFTA) for the first time brought together developed and developing countries under the umbrella of a single comprehensive deal. We stayed off the European path of political integration. Instead, we forged new ground in reducing barriers to trade, investment and labour mobility among three sovereign partners.

We showed what three diverse but determined partners could achieve. Then we sat on our laurels while the rest of the world kept going.

Multilateral negotiations through the World Trade Organization have all but ground to a halt, but we have seen a proliferation of bilateral and regional deals that have brought down barriers to trade. Meanwhile, the European Union has expanded dramatically, and rising powers such as China, India and Brazil are transforming patterns of trade and investment globally. The once-impressive competitive advantages conferred by the NAFTA have faded away.

The terrorist attacks of September 11, 2001, launched an era in which security trumps trade. There is increased scrutiny of goods and travelers everywhere, but nowhere is the impact of this focus on security felt more deeply than within North America.

The extraordinary degree of economic integration made possible by the NAFTA means that companies in all three of our countries are enmeshed in a complex web of supply chains. The efficient flow of resources, intermediate goods and people among our three economies



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has become the foundation of our competitiveness. Yet our failure to deal more effectively with security issues is undermining our ability to compete for investment, for good jobs and for a rising standard of living.

The economic uncertainty flowing from the subprime mortgage crisis is hurting consumers and putting additional pressure on businesses. Particularly as we move through a presidential election year in the United States, it is no surprise to see tough times reviving the siren call of isolationism -- but this is happening at the very moment when the three NAFTA partners need one another most.

To be blunt, North America seems to be shifting into reverse at a time when the rest of the world is accelerating forward. We need to get our act together. If we do not, the people of all three of our countries will suffer.

Moving forward does not require launching a new round of comprehensive trade talks. Certainly there is potential to remove some of the remaining tariff walls among us, perhaps even explore the idea of a common external tariff. But we also can achieve important gains simply by continuing to whittle away at rules of origin and other requirements that bog down trade in goods that already are duty-free.

Many practical measures to enhance North American competitiveness are possible through other means such as regulatory cooperation. Indeed, a focus on eliminating regulatory barriers has been a central feature of the *Security and Prosperity Partnership of North America* (SPP).



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With the support of the business leaders who formed the *North American Competitiveness Council* in 2006, our three governments continue to make incremental but important progress through a wide variety of such measures.

But the central issue of North American competitiveness boils down to how we manage our borders. The need for security is undeniable, but it also has become an excuse for short-sighted policy decisions and unnecessary costs and delays.

In the immediate aftermath of 9/11, both Canada and Mexico worked constructively with the United States on *Smart Border* accords. The focus then was on intelligently managing risk, on using technology to separate low-risk traffic from high-risk shipments and people. The goal was to speed the former while devoting more time and attention to the latter.

These days, it seems every attempt to speed the secure flow of legitimate traffic runs into a brick wall:

- Companies spend millions of dollars to earn accreditation under programs such as FAST, only to have their trucks stuck in the same traffic jams as everyone else because the special FAST lanes are too short.
- Shippers upgrade their systems to provide advance notice through electronic manifests, and then face the same old face-to-face questions at the border because agents either are not sufficiently trained or do not trust the new technology.



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- The critical plan for land pre-clearance, aimed at reducing congestion at busy bridges, collapses after years of talks over an issue as basic as when customs agents can take fingerprints.
- Security becomes a catch-all excuse for bureaucratic empire-building and cash grabs, as we saw with the imposition of new fees in 2006 by the United States *Animal and Plant Health Inspection Service* (APHIS).
- Families confused by changing requirements for documentation throw up their hands and forget about vacation trips that mean crossing borders.

All of this frustration and uncertainty has a serious cumulative impact. A recent econometric study in Canada found that, as a result of tighter security since 2001, Canadian exports of goods are 12.5 percent lower than they should be, while services exports are 8 percent lower. That's a total of almost \$34 billion in lost exports from what we refer to as the "thickening" of the Canada-United States border.

This lost trade is not one-way. We all understand the competitive pressures facing North America's auto industry -- an industry that depends on highly integrated cross-border supply chains. A car or truck made here effectively crosses borders within North America seven times during the production process, yet must compete against vehicles manufactured offshore that face just one customs inspection on the way to the dealership. Every single dollar wasted in lineups at borders within North America is a dollar of disadvantage to North American companies as they compete with the rest of the world.



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There are ways to deal with these issues. We have been talking about them for years. Some may be feasible trilaterally. Others may have to proceed on a bilateral basis, at least initially. But one way or another, we have to push the basic boundary of security beyond the land borders of the United States.

We may be able to mitigate some of the damage through improved technology and risk management. But the real key to more efficient borders within North America is more effective screening of traffic into North America, either at the initial point of entry or at the overseas point of departure. Working together, as three sovereign partners, we have to build up our ability to protect the perimeter in order to make the most of North America's competitive potential.

I know that perimeter is not a popular word. It is a term that feeds the conspiracy theories so beloved of both the left-wing fringe in Canada and the right-wing fringe in the United States. But given what is happening in the rest of the world, speeding the secure flow of people and goods among our three countries is a matter of economic survival for all of us. An isolationist America will be a poorer America, and Mexico and Canada will share its pain.

In 1993, we challenged the world of protectionism. We showed that developed and developing countries could forge a dynamic partnership that could and did drive economic growth and incomes in all three countries.



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In 2008, we have to challenge a world of both real dangers and intense competition. We must rekindle the spirit of 1993 in taking on both terrorism and isolationism. We must recognize our shared interests and renew the confidence and pride that made our partnership a beacon of hope to the world. I do not pretend that the path forward will be easy, but for the sake of generations to come, we cannot afford to fail.