

# **Advancing the Security and Prosperity Partnership of North America**

2006

## **Background**

The Security and Prosperity Partnership of North America (SPP) was launched on March 23, 2005 by Prime Minister Martin and Presidents Bush and Fox. The SPP provides a blueprint for the future direction of North America. In June 2005, a Report to Leaders was developed that outlined over 290 initiatives that two or more governments would collaborate on to resolve regulatory differences and ensure greater security and prosperity of North America. On March 30-31, 2006, Prime Minister Harper, Presidents Bush and Fox met in Cancun, Mexico, to SPP discuss priority initiatives that warrant special attention in the coming year and to exchange views with private sector leaders on how to enhance the competitiveness of North America. Building on existing commitments, the leaders agreed that the following initiatives will received priority attention in the coming year: Strengthening competitiveness in North America, North America emergency management, Avian and human pandemic influenza, North American energy security, and North American smart and secure borders.

## **Issue**

The SPP does not outline a grand scheme, but strives for concrete initiatives to help improve the current relationship. It also establishes a clear timeline and work-plan to bring more structure to the process of strengthening ties with the U.S. and Mexico. The Partnership's objective is to produce good jobs and higher incomes while ensuring a more secure continent. It attempts to create a secure, competitive and prosperous North America.

The current geopolitical reality is such that security and prosperity in North America have become increasingly mutually dependent and complementary. In order for commerce to flow more smoothly, it is critical to ensure that the people and goods entering the North American economic space and moving within its borders pose as little risk as possible.

As a major part of the prosperity component, the Partnership looks to increase the competitiveness of North American industries through improved regulatory cooperation. There are a host of differences in national product standards between Canada, U.S. and Mexico, including: health and safety standards, technical standards, environmental standards, and product packaging and labeling standards. Regulatory differences can restrict trade; the International Chamber of Commerce (ICC) identifies "bureaucratic, time-consuming and unpredictable procedures to which goods are subjected at international borders as among the most significant remaining non-tariff barriers to trade." Regulatory differences not only impose significant additional costs on Canadian manufacturers, exporters, transport carriers, and ultimately Canadian and foreign consumers, but also negate the benefits of negotiated tariff reductions. Despite duty-free access, such regulatory differences can prohibit effective market entry.

In the Canada-U.S. context, many of our regulatory approaches and regimes are similar, and in cases of products that are shipped from one country to the other, many tests and certifications actually duplicate one another.

Many have suggested that Canada and the U.S. should move to the principles of mutual recognition and the elimination of duplication noting that some of this work is already being done in areas such as pesticides, aviation safety, biotechnology and pharmaceuticals. Streamlining of regulations is one area where we believe that Canada and the U.S. can make concrete progress in the context of the SPP.

The Chamber fully supports this idea, and urges the federal government to vigorously pursue this approach with the United States and, where possible, with Mexico. In examination of the respective regulatory system, economic efficiency, within the regulatory mandate, should be the driver.

This does not mean that Canada would automatically adopt U.S. standards. Indeed, it is essential that the regulatory authorities of both countries examine which regulatory system can best accomplish the job and which country's system and rules provide the best regulatory outcome. Regulators should need to justify why differences are needed.

In terms of security, the SPP will establish a common approach to security to: protect North America from external threats, prevent and respond to threats within North America, and further streamline the secure and efficient movement of known, regular and low-risk traffic across our shared borders. The SPP calls for the implementation of a border facilitation and security strategy to build capacity and improve the legitimate flow of people and cargo at our shared borders.

The March 30-31, 2006, leaders meeting announced the creation of a North American Competitiveness Council (NACC). The Council will comprise members of the private sector from each country and will provide recommendations to the three leaders on North American competitiveness, including, among others, areas such as automotive, energy, transportation, steel, manufacturing, and services. The Council will meet annually with security and prosperity Ministers and will engage with senior government officials on an ongoing basis.

The Chamber supports these measures and believes they will better position North America vis-à-vis other established and emerging economic forces. Given the rapidity and depth of geo-economic shifts, Canada, U.S. and Mexico partners must work with one another to ensure the ongoing competitiveness of both U.S. and Mexico and of the North American economic unit. The Chamber is particularly pleased to see movement of people issues as well as work on regulatory cooperation addressed within the SPP context. Language on border capacity and infrastructure, including the development of border resumption protocols (i.e. border contingency planning) is also very encouraging. These are critical issues in many parts of the country, especially in the Windsor corridor.

## **Recommendations**

That the federal government:

1. Work closely with its U.S. and Mexican counterparts to ensure that North America provides a level of economic integration sufficient to encourage business to thrive and compete.
2. Ensure that an appropriate balance between trade and security is struck in order to keep goods and people moving within a safe North American community, and the development of a border contingency plan so that priority people and goods can move across the border in the event of a full or partial border closure. A framework must be established in consultation with the private sector, which will aid in the determination of priority people and goods.
3. Work with its U.S. and Mexican counterparts to ensure that the Security and Prosperity Partnership work-plan is carried out in its entirety within the timelines established and ensure that the priority initiatives that were identified during the March 30-31, 2006, meeting will receive sufficient resources and political support in order to be completed.
4. Cooperate with the U.S. and Mexico on assessing North American competitiveness in the face of economic challenges from elsewhere in the world.

5. Ensure that the SPP is continually updated to reflect the evolving nature of business issues within our shared North American economic space.
6. Include the Canadian private sector in the negotiating process or discussions aimed at harmonizing standards, Mutual Recognition Agreements (MRAs), or other forms of regulatory cooperation.
7. Encourage Canadian regulatory agencies, such as Agriculture and Agri-food Canada and Health Canada, to pursue opportunities with Canada's trading partners for greater harmonization of standards and regulations, and common institutional approaches that preserve Canada's high health, safety and quality standards. In the pursuit of these opportunities, the federal government must ensure that MRAs minimize the high cost to business of having to meet multiple regulatory requirements in various jurisdictions.
8. Ensure that the North American Competitiveness Council (NACC) is given sufficient resources to carry out its mandate of developing and providing recommendations to the three leaders on issues pertaining to North American competitiveness.