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The North American Leaders Summit: Promoting Economic Freedom and Security

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On August 9–10, President Barack Obama will meet with President Felipe Calderón of Mexico and Prime Minister Stephen Harper of Canada at the fifth annual North American Leaders Summit in Guadalajara, Mexico. These leaders should focus attention on the strong ties binding North America: a shared commitment to democratic values, free markets, and expanding trade opportunities, the need to meet growing energy needs, and improving security against domestic and international threats.

The 1994 North American Free Trade Agreement (NAFTA) enhanced trade and investment flows between the three neighbors. Fifteen years later, NAFTA partners generate an annual GDP of \$17 trillion, roughly 2.5 times greater than the People's Republic of China and \$2 trillion greater than the European Union. The NAFTA zone represents the largest single free-trade area on the planet, bar none. Working to strengthen vital economic ties and advancing strategies to exploit competitive advantages within a framework of three distinct, sovereign nations will preserve North America as a powerful leader for prosperity on the international scene.

Economic Freedom. The Guadalajara meeting is a chance to uphold NAFTA commitments, reaffirm support for free market development, and speak out against creeping protectionist sentiments and legislation in the U.S. After years of leadership on this issue, the U.S. may now be the foot-dragger.

Congress's refusal in early 2009 to continue funding a pilot program that permitted 100 Mexican-owned trucks—all carefully monitored and

checked for safety—to operate on U.S. highways handed a victory to the Teamsters union and organized labor while betraying a NAFTA obligation. It also provoked a Mexican trade countermeasure that will cost U.S. producers billions of dollars in Mexican market share if not resolved. Furthermore, the Obama White House acquiesced in the protectionist raid on U.S. trade policy that was executed through the shameless “Buy American” provisions in the \$787 billion American Recovery and Reinvestment Act of 2009. These insular and protectionist actions angered Canada and Mexico by skirting NAFTA and World Trade Organization commitments.

Energy Access. Canada is a democracy with oil reserves second only to Saudi Arabia and abundant quantities of natural gas, but its tar sands with their heavy carbon content have fallen out of favor with the environmentalist and global warming crowd in the U.S.

Mexico, likewise a democracy, currently provides the U.S. with over a million barrels of oil per day, making it America's third largest supplier; however its output continues to fall each year due in part to mismanagement. Mexico depends heavily on the

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earnings of PEMEX, its national oil company, which provides 40 percent of total government revenue but badly needs foreign investment and technology. To ensure future growth, Mexico must open its hydrocarbon and electricity sectors to private companies.

The Obama Administration promises “a green economy that will create millions of new jobs for the 21st century.” Unfortunately, the White House view seems to be that governments rather than markets should direct this massive energy transformation. That is a recipe for inefficiencies and shortages. In order to benefit from the full potential of resources in North America, a realistic, private-sector-based energy program is needed.

National Security. The foundations of the rule of law and security in North America are continuously under siege by criminal organizations. President Calderón and the Mexican people feel they are bearing a heavy burden in their fight to dismantle drug cartels and stop the flow of tons of cocaine, marijuana, heroin, and methamphetamines to the U.S.

Since 2006, more than 10,000 Mexicans have been murdered in drug-related killings, 600 of whom were law enforcement and military personnel. Mexico’s internal security and future governability are threatened by lawlessness. Mexican drug cartels aggressively push their destructive products on American consumers. They operate in 230 U.S. cities and are America’s largest organized crime threat.

Working closely with the Calderón government, the Bush Administration negotiated a multi-year package for counter-drug cooperation known as the Merida Initiative. But implementation has been slow. Some liberal Democrats and leftist U.S. NGOs seek to impede delivery of the assistance, claiming the Mexican military commits serious human rights violations. Meanwhile, the international drug cartels are increasingly shipping their products from Venezuela through rapidly destabilizing Central American countries and into southern Mexico for overland smuggling into the U.S.

Although the Obama Administration has dispatched additional law enforcement personnel to the

Mexican border under a revamped Southwest Border Security Initiative, it has also sent disquieting and confusing signals about the direction of drug policy in the new Administration.

For example, White House Drug Czar Gil Kerlikowske claims the “war on drugs” is over and that the Administration is now waging a vaguely defined “war on a product”¹ that emphasizes new drug demand reduction and treatment options. The Bush Administration’s hard-line stance on enforcement is gone, replaced by softer and more permissive policies that green-light “medical marijuana” and coddle users by promoting “needle exchanges.”

Guadalajara Summit Goals. At the Guadalajara summit, President Obama should:

- **Uphold NAFTA commitments.** President Obama should reaffirm U.S. commitments to work for a free, rules-based trading system that fosters competition and innovation.
- **Oppose special interests and protectionism.** Pressing forward with the Mexican pilot truck program and rejecting “Buy American” provisions in government spending bills will reassure taxpayers and America’s neighbors of this nation’s readiness to engage in open, competitive trade.
- **Promote realistic energy development and access.** While experimental ideas and trial projects for clean and renewable alternative energies may be on the table, leaders should agree that powering the future will require market-oriented, reliable, technologically feasible, and comparatively secure sources of North American energy—petroleum, coal, natural gas, and nuclear—for decades into the future.
- **Support President Calderón in the drug fight.** The Merida Initiative is a critical indicator of U.S. support for Mexico in the fight against the drug cartels. President Obama should commit to using this program as a platform for further anti-drug cooperation and increase the resources dedicated to it in order to demonstrate strong, consistent support in the drug fight.

1. Gary Fields, “White House Czar Calls for End to ‘War on Drugs,’” *The Wall Street Journal*, May 14, 2009, at <http://online.wsj.com/article/SB124225891527617397.html> (August 6, 2009).

- *Commit to a presidential demand reduction effort.* President Obama needs to voice his personal opposition to drug consumption and abuse by speaking directly on the harm done not only by trafficking but also by consumption of illegal substances, including marijuana. This would significantly boost the effectiveness of demand reduction messages at home and abroad and bring needed clarity to the President's stance on the issue.

By promoting economic freedom and security, President Obama, President Calderón, and Prime

Minister Harper can ensure that the North American Leaders Summit is a success.

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