



CRS Report for Congress

Security and Prosperity Partnership of North America: An Overview and Selected Issues

M. Angeles Villarreal
Analyst in International Trade and Finance
Foreign Affairs, Defense, and Trade Division

Jennifer E. Lake
Analyst in Domestic Security
Domestic Social Policy Division

Summary

The Security and Prosperity Partnership of North America (SPP) is a three-country initiative that is intended to increase cooperation and information sharing in an effort to increase and enhance prosperity in the United States, Canada, and Mexico. The SPP was endorsed by the leaders of the three countries, but it is not a signed agreement or treaty and, therefore, contains no legally binding commitments or obligations. The goals of the prosperity components of the SPP are to increase cooperation and sharing of information in order to improve productivity, reduce the costs of trade, and enhance the quality of life. The goal of the security components of the SPP is to coordinate the security efforts undertaken by each of the three participating nations to better protect citizens from terrorist threats and transnational crime while promoting the safe and efficient movement of legitimate people and goods. Congressional interest in the SPP concerns possible implications related to national sovereignty, transportation corridors, cargo security and border facilitation. This report will not be updated.

Background

The Security and Prosperity Partnership of North America (SPP) is a trilateral initiative, launched in March 2005, that is intended to increase cooperation and information sharing in an effort to increase and enhance prosperity in the United States, Canada, and Mexico. The SPP is a government initiative that was endorsed by the leaders of the three countries, but it is not a signed agreement or treaty and, therefore, contains no legally binding commitments or obligations. It can, at best, be characterized as an endeavor by the three countries to facilitate communication and cooperation across several key policy areas of mutual interest. Although the SPP builds upon the existing trade and economic relationship of the three countries, it is not a trade agreement and is

distinct from the existing North American Free Trade Agreement (NAFTA). Some key issues for Congress regarding the SPP concern possible implications related to national sovereignty, transportation corridors, cargo security, and border security. These issues are discussed in various sections of the report.

On March 23, 2005, President George W. Bush met with former Prime Minister Paul Martin of Canada and former President Vicente Fox of Mexico in Waco, Texas to discuss a number of issues including trade and economic collaboration. A major outcome of the summit was the announcement of the SPP. The government fact sheet on the SPP states that the SPP “energizes other aspects of our cooperative relations, such as the protection of our environment, our food supply, and our public health.”¹ The initial plan for the SPP was to establish a number of security and prosperity working groups in those two separate categories. The security working groups would be chaired by the Secretary of Homeland Security and the prosperity working groups would be chaired by the Secretary of Commerce.

Working Group Proposals and Initiatives

In June 2005, the SPP working groups offered their initial proposals to the North American leaders on how to accomplish the goals of the SPP. In their report, the working groups announced the completion of several proposals to increase collaborative efforts to improve certain sectors of the economy; develop higher standards of safety and health; and address environmental concerns. The proposals related to trade and commerce included a signed Framework of Common Principles for Electronic Commerce; liberalization of Rules of Origin; a Memorandum of Understanding between Canada and the United States to exchange information and cooperate on activities relating to consumer product safety and health; harmonization of the use of care symbols on textiles and apparel labeling; and a document clarifying each country’s domestic procedures for temporary work entry of professionals under NAFTA.²

In March 2006, the three countries agreed to continue to advance the agenda of the SPP by focusing on five high priority initiatives: 1) increasing private sector engagement in the SPP through the North American Competitiveness Council; 2) advancing cooperation on avian and pandemic influenza management; 3) ensuring a secure and sustainable energy supply through the North American Energy Security Initiative; 4) developing a common approach to emergency management in all three countries; and 5) contributing to smart and secure borders by increasing collaboration on standards and processes.

Prosperity Components of the SPP

Goals of the SPP in the area of prosperity are to increase cooperation and sharing of information in order to improve productivity, reduce the costs of trade, and enhance the quality of life. The three countries agreed to establish a series of working groups to “consult with stakeholders; set specific, measurable, and achievable goals and

¹ See Security and Prosperity Partnership of North America (SPP) website [<http://www.spp.gov/>].

² Security and Prosperity Partnership of North America (SPP), *Report to Leaders*, June 2005.

implementation dates; and identify concrete steps the governments can take to achieve these goals.” The prosperity working groups were established to cover the following range of issue areas: 1) Manufactured Goods and Sectoral and Regional Competitiveness; 2) Movement of Goods; 3) Energy; 4) Environment; 5) E-Commerce & Information Communications Technologies; 6) Financial Services; 7) Business Facilitation; 8) Food and Agriculture; 9) Transportation; and 10) Health.³

Security Components of the SPP

The goal of the security components of the SPP is to coordinate the security efforts undertaken by each of the three participating nations to better protect citizens from terrorist threats and transnational crime while promoting the safe and efficient movement of legitimate people and goods. Working groups were established to address the security aspects of the SPP. The security working groups address three broad themes: (1) external threats to North America; (2) streamlined and secured shared borders; and (3) prevention and response within North America. Ten individual security working groups have been established to address specific portions of the security agenda and include traveler security; cargo security; border facilitation; aviation security; maritime security; law enforcement; intelligence cooperation; bio-protection; protection, preparedness and response; and science and technology.⁴

The SPP and Member Economies

The SPP is not a trade agreement, nor a form of economic integration, and goes only as far as leading to some measure of regulatory harmonization among the United States, Canada, and Mexico. The SPP working groups are not contemplating further market integration in North America. Such a move would require a government approval process within each of the three countries. In the United States, such an agreement would require the approval of the U.S. Congress.

A free trade agreement (FTA), such as NAFTA, is the most common form of regional economic integration. Generally, in an FTA, member countries agree to eliminate tariffs and nontariff barriers on trade and investment within the specified free trade area. Under an FTA, each country maintains its own trade policies, including tariffs on trade outside the region.

In addition to FTAs, other forms of economic integration are customs unions, common markets, and economic unions. Such agreements sometimes imply a greater loss of autonomy over the parties’ commercial policies and require longer and more complex negotiations and implementation periods than FTAs. Customs unions are agreements in which members conduct free trade among themselves and maintain a common trade policy towards non-members. These agreements require the establishment of a common external tariff and harmonization of external trade policies. Common markets are those

³ SPP.GOV: A North American Partnership, “Prosperity Working Groups: Security and Prosperity Partnership of North America,” [<http://www.spp.gov>].

⁴ Government of Canada, “Security and Prosperity Partnership of North America: Working Groups,” accessed at [http://www.psp-spp.gc.ca/overview/working_groups-en.aspx].

in which member countries go beyond a customs union by eliminating barriers to labor and capital flows across national borders within the market. The European Union is the most prominent example of a common market. In economic unions, member countries merge their economies even further than common markets by establishing a common currency, and therefore a unified monetary policy, along with other common economic institutions. The 12 members of the European Union that have adopted the euro as a common currency is the most significant example of a group of countries that has moved forward from a customs union to an economic union.

Some proponents of economic integration in North America have maintained that the emergence of China and India in the global marketplace may be putting North America at a competitive disadvantage with other countries and that NAFTA should go beyond a free trade agreement. Some observers have written policy papers proposing that the U.S. government consider the possibility of forming a “NAFTA-Plus,” a “North American Union,” or even a common currency called the “Amero.”⁵ Critics of this level of economic integration believe that NAFTA has already gone too far and that it has harmed the U.S. economy and undermined democratic control of domestic policy-making.⁶ Others suggest that the SPP may be more than an initiative to increase cooperation and that it could lead to the creation of a common market or economic union in North America.⁷ However, as previously noted, if the United States were to potentially consider the formation of a customs union or common market with its North American neighbors, it would require approval by the U.S. Congress.

Transportation Corridors

One of the stated goals of the SPP is to improve the safety, security, and efficiency of the flow goods between the three countries. The majority of trade between the United States, Canada and Mexico is transported by land modes (truck, rail, and pipeline). U.S. freight trade with Canada and Mexico more than doubled in value between 1996 and 2006, growing from \$419 billion in 1996 to \$866 billion in 2006.⁸ Trucks are the dominant mode for transporting goods between the United States and its NAFTA partners, accounting for 62% (\$534 billion) of the value, and 26% of the weight of total trade in 2006.⁹ This growth in the volume of freight is placing an increasing burden on transportation systems, and particularly the road network.

⁵ U.S. Council of the Mexico-U.S. Business Committee, Council of the Americas, *A Compact for North American Competitiveness*, April 2005; Grubel, Herbert G., The Fraser Institute, *The Case for the Amero: The Economics and Politics of a North American Monetary Union*, September 1999.

⁶ Public Citizen, Global Trade Watch, *North American Free Trade Agreement*, see [<http://www.citizen.org>].

⁷ Corsi, Jerome R., *The Plan to Replace the Dollar with the ‘Amero’*, May 22, 2006.

⁸ Bureau of Transportation Statistics, *Increased Trade Spurs Growth in North American Freight Transportation*, May, 2007, accessed at [http://www.bts.gov/publications/bts_special_report/2007_05/pdf/entire.pdf].

⁹ Ibid.

Some observers contend that the SPP may ultimately lead to a so-called “NAFTA Superhighway” that would link the United States, Canada, and Mexico with a ‘super-corridor’.¹⁰ The federal government however, has stated that there are no plans to build a “NAFTA Superhighway,” and that no super-corridor initiative of any sort is a part of the SPP.¹¹ Further, no legal authority exists and no funds have been appropriated to construct such a superhighway, nor are there current plans to seek such authority or funding.¹²

States regularly undertake highway construction and improvement projects independently of the SPP. As noted above, the nation’s freight transportation system is being exposed to an increasing burden from cross-border trade.¹³ States and localities undertake highway projects to address the impacts of this increasing burden on the roadways, particularly in border states. Planning for these projects along the border often requires consultation with the neighboring NAFTA partner, as expansions of port access roads, additional lanes and bigger plazas, impact the flow of traffic through the port, and therefore the flow of traffic entering the neighboring country. Among other efforts, the SPP Transportation Working Group is analyzing border trade and traffic flows to support border infrastructure planning and prioritization.

Cargo Security and Border Facilitation

One of the central tensions in border management policy concerns how to design policies that facilitate the efficient entry of legitimate cargo while simultaneously ensuring that a sufficient level of security and scrutiny is applied to deny the entry of illegitimate cargo. Two of the ten SPP security working groups are devoted to cargo security and border facilitation. In the immediate aftermath of the terrorist attacks of September 11, 2001, the U.S. border was virtually closed. The U.S. Customs Service went to its highest state of alert and began searching every vehicle entering the U.S. from Canada and Mexico. Delays of up to 12 hours were experienced at some ports of entry in Michigan and New York.¹⁴ Since 9/11, the U.S. government has undertaken a number of initiatives aimed at improving cargo security and the facilitation of legitimate or low-risk cargo. Programs such as the Free and Secure Trade (FAST) program (a joint U.S.-Canada, and

¹⁰ See for example, Corsi, Jerome, *I-69: Yet Another NAFTA Superhighway*, accessed at [<http://www.humanevents.com/article.php?id=16966>]; or Schlafly, Phyllis, *The NAFTA Superhighway*, August 23, 2006, accessed at [<http://www.eagleforum.org/column/2006/aug06/06-08-23.html>]; or for a rebuttal of some of these claims see for example, Dine, Philip, “Superhighway myth feeds on fear,” *St. Louis Post-Dispatch*, May 19, 2007.

¹¹ Security and Prosperity Partnership of North America, *Myths vs. Facts*, accessed at [http://www.spp.gov/myths_vs_facts.asp].

¹² Ibid.

¹³ See, Bureau of Transportation Statistics, *Increased Trade Spurs Growth in North American Freight Transportation*, May, 2007, accessed at [http://www.bts.gov/publications/bts_special_report/2007_05/pdf/entire.pdf].

¹⁴ Remarks of Customs and Border Protection Commissioner Robert Bonner, September 12, 2004, at the Customs World London Summit, at [http://www.cbp.gov/xp/cgov/newsroom/commissioner/speeches_statements/archives/2004/09212004_customs_world.xml]

U.S.-Mexico program), and the Customs-Trade Partnership Against Terrorism (C-TPAT) program (a public-private supply chain security initiative) are two well-known examples of post-9/11 initiatives that seek to provide increased security while also providing expedited customs-clearance to pre-vetted shipments.

One initiative being considered under the SPP is known as pre-clearance, which has long been in place at airports, but which has remained difficult to implement at the land border. A related concept is known as reverse inspections which is essentially pre-clearance conducted on both sides of the border. Under the reverse inspection scenario, U.S. customs officials would be stationed in Canada to process and clear cargo en-route to the U.S. before the cargo reaches the U.S. border. Similarly, Canadian customs officials would be stationed in the U.S. to process cargo en-route to Canada from the United States. Proponents of reverse inspections maintain that this process offers increased security because it would allow, for example, U.S. customs officers the opportunity to intercept high-risk cargo before the truck reaches the bridge or the booth at the on the U.S. side of the border. Critics of the reverse inspection proposal cite sovereignty issues as a primary obstacle, but there are a host of other issues including the different authorities held by each country's customs agencies, and a variety of different legal issues.¹⁵

Progress was made, under the U.S.-Canada Shared Border Accord and the SPP, towards developing a pilot program to test reverse inspections at two different land border ports along the U.S.-Canada border.¹⁶ To date however, the pilots have not gone forward¹⁷, and it is unclear whether or not the obstacles to reverse inspections can be overcome in the future.

¹⁵ See, Tower, Courtney. "Pre-clearance scrapped after U.S. breaks of Canada talks," *Journal of Commerce Online*, April 27, 2007, citing the concerns of the Department of Homeland Security regarding the restrictions Canadian law would have placed on U.S. searches, investigations, and fingerprinting. See also, Nakashima, Ellen. "Fingerprint Dispute Dooms Border Site," *Washington Post*, May 24, 2007.

¹⁶ U.S. Department of Homeland Security. "Security and Prosperity Partnership: Implementation Report-Security Agenda," *Fact Sheet*, June 27, 2005. Accessed at [http://www.spp.gov/SECURITY_FACT_SHEET.pdf?dName=fact_sheets].

¹⁷ Tower, Courtney. "Pre-clearance scrapped after U.S. breaks of Canada talks," *Journal of Commerce Online*, April 27, 2007.