Frances and I talked earlier this morning about how we would try to avoid making this totally depressing for you, so she’s taken the optimistic angle.

That opens the field for me to be pessimistic. First, a little historical context. When you think back to 1994, NAFTA was not only good policy but it was world-leading. It was ahead of anything else that was going on. It was the product of bipartisan leadership in the United States. It was initiated by the first President Bush and enacted with bipartisan support by President Clinton.

It was negotiated in very large measure by the government that Michael Wilson was part of and enacted in Canada by Prime Minister Chrétien’s government – despite the fact that Ross Perot had called and promised the newly elected prime minister that if he would see to the defeat of NAFTA, Mr. Perot would construct a larger-than-life-size monument to Mr. Chrétien in Texas. Had he proposed to put the monument in Shawinigan, the outcome might have been different!

There was so much foresight and flexibility embodied in NAFTA that it even included an accession clause that would enable other countries to join the relationship. It offered a carrot to democratizing countries in Latin America that would commit to market-based economic policies and then be invited to join NAFTA and be part of this gigantic market.

Now what has become of that? Almost 18 years later, nothing has changed. No longer is NAFTA way out ahead of the rest of the world. We’ve seen other trading regions developing more quickly, more flexibly, with more change than we’ve seen in North America, whether we look at ASEAN, whether we look at the European Union (quite apart from the problems of the Eurozone). As an economic cluster of countries we’ve seen the EU grow, expand, take on new changes, adapt to change. From NAFTA? Nothing, nada. It’s frozen in time.

Have there been benefits? Enormous benefits to all three countries. We’ve grown our internal trade tremendously. Are there annoyances? Absolutely.

I will mention a few of them, very conscious of what I think is the greatest putdown ever offered to Canadians by a U.S. secretary of state, which I believe was Condoleezza Rice’s comment that meeting with the Canadians was like going to a members’ meeting of a condominium association. The complaints were always numerous and petty by their nature.

So let me offer a few petty complaints. What a great thing: the U.S. Congress has approved the free trade agreement with Colombia. Congress has recognized the value of trade and, not only that, the importance of working toward reducing that mammoth deficit. So how do we pay for the free trade agreement with Colombia? We make Mexicans and Canadians pay $5.50 every time they arrive in the United States by air or by sea. How many Americans in the room actually knew that was in the Colombia legislation? It’s not a lot of money. It is a condominium association kind of complaint – but, geez, it’s annoying. Where are your biggest markets? Where is your economic growth going to come from? Colombia?
Mike Duffy commented this morning that it was good to see there was no “Made in America” movement growing in the United States. Mike, have you been in a Walmart lately? And by the way, did you notice what was in the president’s job package? “Buy America” restrictions. What was in the stimulus package? “Buy America” restrictions. Does anybody remember the 1930s?

And then we find that Canadian ports are very competitive, so Congress is now studying our ports to see if they ought to slap some kind of trade sanctions on goods that are imported through Canadian ports.

Then, of course, there’s the whole Keystone XL pipeline debate. What did that ad say in The New York Times last week — an environmental crime in progress, only Barack Obama can stop it? I know it’s not all about us. I know there are people out there who really just want to keep the hydrocarbons in the ground. Nevertheless, it’s hard for us to sit back and think of ourselves, as Frances said, in a regional context, when we constantly seem to be fighting some of these rearguard actions while so much else is happening in the world.

Back in 2005, a number of us in this room were involved, though the Council on Foreign Relations, in an effort to define a future for North America. The premise was, it is time for NAFTA to evolve. Let’s look at ourselves in the global context. Let’s see how we build on North American supply chains to enable us to be globally competitive. That was the concept.

The auto sector is a highly integrated part of our economy. We assemble motor vehicles in Canada, the U.S. and Mexico from parts which are themselves assembled in Canada, the U.S., and Mexico. The best statistic we’ve come up with is that when you look at the finished product, that vehicle or its parts have crossed one of those two borders usually about seven times.

If you’re going to inspect every truckload of brake linings or engine parts over and over again, you are adding costs to that North American supply chain. The Canadian Manufacturers & Exporters association did a rough calculation that said, okay, let’s take a shipload of 4,000 cars from Korea. They arrive at a U.S. port and there is one customs inspection. Now consider 4,000 vehicles manufactured in North America. You inspect those 4,000 vehicles, and all of those parts, each time they cross the border, so that’s seven times each. You end up with a ratio of 28,000 to one – 28,000 inspections for the North American vehicles compared to one for the Korean shipload. Does anyone wonder why we’re having competitiveness issues?

You’re the homeland security expert, Frances. I don’t wear that hat anymore. How many terrorists have actually been found in a shipload of brake linings?

My former counterpart, Tom Ridge, first secretary of homeland security, told me a couple of months ago that he has personally been pulled aside 30 times at airports for secondary inspection. This is the guy who ran the whole system. Does nobody say, “Hmm, Tom Ridge – probably not a risk?”

The Israelis are preoccupied with security. They don’t put their head of homeland security or its equivalent through secondary inspections. They know that when you’ve got limited resources, you allocate them to the areas of risk.

What are we going to do to get the concept of risk management firmly implanted here in North America so that we can build supply chains to create jobs and economic opportunity for our people? Is it going to have to be – at least for the foreseeable future – that we don’t have a NAFTA relationship, we have three bilateral relationships and we’re going to have to work as best we can on each of those? I hope not, but that’s why I feel just a little bit pessimistic.

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