NAFTA was state-of-the-art when it was drafted. It was the most comprehensive free trade agreement ever written. It was the first major agreement between a developed and a developing country. It set all sorts of new standards. But that was 15 years ago, and a lot of things have happened, even in the last three months, that affect economic integration in North America. All three countries have engaged in a lot of trade negotiations, and trade negotiators learned by doing.

In the process of negotiating more recent trade agreements, they have improved. It is hard to believe that they could improve on the work of the people on this panel, but they improved on the provisions that were drafted, and so it is not unfair to say that NAFTA could use some updating to meet the new challenges of the 21st Century.

The problem we face is that the language in the political debate has been "renegotiate," "open up," which has led people to infer that this meant taking out as opposed to augmenting, building up, improving, updating. If you look at the challenges facing our three economies, there is a need for updating and augmenting, particularly to deal with a problem that has arisen just in the past years with regard to a thickening of the border, just the opposite of the economic integration and the objectives of the NAFTA, and that has come in the border security area.

It also now poses a big problem in the area of climate change, where laws and regulations being promulgated at the state and provincial level are already raising concerns about competitiveness of industries. Who is going to pay the costs of the new regulatory mandates? Who is going to pay the cost of the carbon taxes that are being imposed in some jurisdictions? How are the federal regimes going to merge with the policy being developed at the state and provincial level? And there are questions of federal preemption now being debated in the United States and here as well, I am sure.

All of these things are central to the challenge of ensuring that the process of economic integration, which is meant to improve the living standards of our people, continues, and yet there is a real threat. The protectionist threat that people are worrying about is not raising new tariffs as occurred in the 1930s, it is in the process of evolving regulatory matters and subsidies, whether it be for purposes of environmental objectives, whether it be to rescue the auto industries in our countries that will have an impact and distort
trade and investment.

That is where I think we need to focus on a new NAFTA agenda and where I think it is critical to have an initiative, but one that looks forward to how our three countries can continue to work closely together for our mutual benefit.

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