

Top takeaways from North American Leaders' Summit and Canada-Mexico state visit

July 1, 2016

This past week the North American Leaders' Summit (NALS) was held in Ottawa, Canada, with US President Barack Obama, Mexican President Enrique Peña Nieto and Canadian Prime Minister Justin Trudeau. Prior to the summit, Dentons' professionals held an interactive teleconference led by former Canadian Prime Minister Jean Chrétien, former US Ambassador to Canada Gordon Giffin, former Canadian Industry Minister James Moore and the leader of our Mexico practice, Rogelio López-Velarde.

Directly below are some highlights of the teleconference, followed by a recap of the next-day's summit.

On the teleconference, Mr. Chrétien, after reminding us that he coined the phrase "Three Amigos Summit" when he participated in the Miami NALS meeting, talked about the importance of both formal support for policies like free trade agreements, but also informal diplomacy, recalling how he served so many PEI (Prince Edward Island) potatoes to President Bush during a summit that it ultimately led to the end of a Canada-US dispute over the export of that particular agricultural commodity.

Ambassador Giffin, for his part, previewed the agreements on energy and environmental policy, and put the NALS discussion into a larger context as well, pointing out that the dynamic of the three leaders together should continue as an annual event. On trade policy, Amb. Giffin compared the relationship between the North America and the European Union with that of the tortoise and the hare. EU is the hare, sprinting out in front with harmonization and the breaking down of economic barriers, whereas tortoise-like North America has taken a slower and more cautious approach to intra-continental collaboration. The Ambassador predicted that in the wake of the UK's exit from the EU, North American leaders would reaffirm their support for greater economic integration.

Mr. López-Velarde, noting that the President of Mexico still has two years remaining in his mandate, said his focus in this summit would be on the issues of energy security as well as reform of his country's telecommunications and banking industries. Mr. López-Velarde also commented on the business opportunities resulting from NAFTA, noting that they abound and will only increase as a result of the policies to be announced at the North American Leaders meeting.

Finally, Mr. Moore addressed the fact that economic nationalism is on the march, and not just in the three largest economies of Europe but also in elements of both the Democratic and Republican parties in the US, and that this dynamic, complicated by growing economic pressure from China, points to the importance of collaboration among the three countries of North America.

Dentons clients and media were able to pose questions to our experts on the Three Amigos Summit preview.

The following day, the North American Leaders met. It was a substantive, solid summit, the climate and trade work plans having been worked out beforehand by ministers. The test will be in their delivery.

The reaffirmation of the North American idea was unscripted and the news conference surprisingly passionate,

especially on the part of President Obama, whose ardent address to Parliament took issue, without direct reference, with Donald Trump's speech of the previous day. It was a speech worth seeing and reading, and was enthusiastically received by all in the chamber.

Here are the top takeaways from the NALS meetings:

North American economic integration

US President Barack Obama, Mexican President Enrique Peña Nieto and Canadian Prime Minister Justin Trudeau reaffirmed their joint belief in closer North American economic integration in the face of Brexit and Trumpism. Addressing the Canadian Parliament, President Obama said, “[H]ow we respond to the forces of globalization and technological change will determine the durability of an international order that ensures security and prosperity for future generations.” Obama acknowledged that if the “benefits of globalization accrue only to those at the very top, if our democracies seem incapable of assuring broad-based growth and opportunity for everyone, then people will push back out of anger or out of fear.” The right response is not walls but a reassertion of the “values of pluralism and tolerance, rule of law, openness, global engagement, and commerce, and co-operation, coupled with equal opportunity and an investment in our people at home.”

Climate, clean energy and the environment

A North American Climate, Clean Energy, and Environment Partnership Action Plan was unveiled at the summit with the announced goal of North America becoming “the world’s most competitive player in the clean growth economy” with 50% clean energy generation by 2025. The plan calls for joint collaboration on the development and deployment of clean energy, including renewable, nuclear and carbon capture and storage technologies; clean energy innovation (through the Mission Innovation initiative) and improved energy efficiency. Commitments include:

- Cut power waste by aligning ten appliance-efficiency standards or test procedures by 2019
- Complete at least 5,000 megawatts of cross-border transmission projects to facilitate deployment of clean power (e.g., the Great North Transmission Line, the New England Clean Power Link and the Nogales Interconnection)
- Undertake a joint study of the opportunities and impacts of adding more renewables to the electric grid on a continental basis as part of North American Cooperation on Energy Information platform
- Mexico to join Canada and the US in committing to reduce its methane emissions from the oil and gas sector—the world’s largest methane source—by 40% to 45% by 2025 towards achieving the greenhouse gas targets in our nationally determined contributions
- Green government operations to achieve 100% clean energy by 2025 through the purchase of more efficient products, cleaner power and clean vehicles (the US General Services Administration and the Public Services and Procurement Canada announced their intention to increase the percentage of electricity they purchase from clean energy sources to 100% by 2025)
- Align methods for estimating the social cost of carbon and completing comprehensive Midcentury Strategies for driving down greenhouse gas emissions through, for example, voluntary ISO 50001 energy performance standard and alignment of ten energy efficiency standards or test procedures for equipment by the end of 2019
- Perform joint collaborative research on: (i) smart grids and energy storage; (ii) reduction of methane emissions; (iii) carbon capture, use and storage; (iv) nuclear energy; (v) advanced heating and cooling, including energy efficiency

in building; and (vi) investments to establish North American refueling corridors for clean vehicles

- Convene auto industry leaders and other stakeholders by spring 2017 as part of a shared vision for a competitive and clean North American automotive sector
- Canada, the US and Mexico to reduce greenhouse gas (GHG) emissions from light- and heavy-duty vehicles by aligning fuel efficiency and/or GHG emission standards by 2025 and 2027, respectively; and to reduce air pollutant emissions by aligning emission standards for light- and heavy-duty vehicles and corresponding low-sulphur fuel standards, beginning in 2018
- Establish a North America black carbon inventory under the Commission for Environmental Cooperation, through which each country submits a national inventory
- Harmonize green freight efforts for North America by expanding the SmartWay Program to also include Mexico

Initiatives to advance North American trade and competitiveness

- Canadian and US citizens who are members of the NEXUS Program will be eligible to apply to the Viajero Confiable Program, which would provide them with expedited immigration screening upon arrival at select international airports in Mexico
- Align processes and requirements for an eventual North American "Single Portal"
- Promote cluster asset mapping for supply chain efficiency
- The leaders endorsed their trade ministers' "2016 North American Competitiveness Work Plan," which facilitates partnerships through 14 new initiatives to reduce costs for business, improve supply chain efficiency, advance innovation and economic development and engage stakeholders through consultation and outreach (the US will host the first annual Stakeholder Dialogue on North American Competitiveness this fall in Washington, DC)
- A fourth package of amendments (Track IV) to liberalize the NAFTA rules of origin for a variety of products, including pharmaceuticals, cosmetics, rubber, metals, industrial and electrical machinery, precision instruments and natural gas, products that currently account for a total of \$166 billion in annual trilateral trade
- Agreement to address the problems relating to excess capacity in steel production, including curtailing government subsidies and other supports
- Establishment of a trilateral Customs Steel Enforcement Dialogue, designed to facilitate coordinated compliance efforts and information sharing regarding the enforcement of anti-dumping and countervailing measures on steel products
- Memorandum of Understanding on Women Entrepreneurship (with women entrepreneur mission Canada to Mexico)
- Host an industry summit in Washington on cyber security in North America in late September to kick off Cyber security Awareness Month
- Strengthening intergovernmental partnerships, supporting coordinated border management, and providing a platform for private sector engagement
- Canada will embed personnel into a US customs center—in which Mexican custom personal are already currently

embedded—on a pilot basis to establish a foundation for joint contraband threat identification and examination activities

- Canada will host the 6th Americas Competitiveness Exchange on Innovation and Entrepreneurship (September)

Security, defense and other collaborations

- Support for the fight against trade in illicit drugs
- Enhance cooperation on North American, regional and global priorities by establishing a consultation mechanism that will meet twice a year
- Cooperation in peacekeeping, security, defense, human trafficking, illicit financial flows, foreign fugitives (90-day trilateral pilot on tracking and apprehending foreign fugitives, report back in 2017), establishment of a North American Working Group on Violence Against Indigenous Women and Girls, and development funding for security in Central and Latin America and climate cooperation

Canada resetting its relationship with Mexico

- Canada is lifting the visa on Mexicans (imposed in July 2009) by December 1, 2016, but Mexicans will need to apply through Electronic Travel Authorization scheme that is still to be rolled out (and applies to Europeans but not US)
- Mexico is lifting all restrictions on importing Canadian beef (a legacy of "mad cow"), worth an estimated \$10 million, by October 1
- Renewed strategic partnerships creating High-Level Strategic Dialogue of ministers (to meet in October) led by foreign ministers around strengthening of ties, people mobility, clean economy, security and defense, regional and global cooperation.
- Agreements were signed on:
 - Indigenous cooperation (to especially benefit women) through the International Development Research Centre; development especially in Central America and Caribbean
 - Climate change
 - Disease (e.g., Zika virus) mitigation and information-sharing on health products
 - Disaster preparedness and emergency management (Mexican firefighters helped during recent forest fires)
 - Education (more two-way student flow with modest scholarship improvements with Mexico on our six target markets for students)
 - Tourism (Canada expects more tourists)

Softwood lumber

President Obama and Prime Minister Trudeau issued a statement saying they are working to find solution “designed

to maintain Canadian exports at or below an agreed US market share.”

NATO

President Obama called on Canada (which currently spends 1% of GDP on defense) to “contribute its full share to our common security” (NATO reference for defense spending is 2% of GDP) because “NATO needs more Canada.”

Dentons is pleased to provide in depth analysis of any of these issues or others to our clients in the aftermath of both the Brexit vote and the NALS meeting in Ottawa. For more information, contact Gordon D. Giffin; James Moore ; or Rogelio López-Velarde in Mexico.

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