Journal of Homeland Security and Emergency Management

Volume 3, *Issue* 2 | 2006 | *Article* 2

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Recommended Citation:
Anderson, Greg J. (2006) "North American Economic Integration and the Challenges Wrought by 9/11," *Journal of Homeland Security and Emergency Management*: Vol. 3: Iss. 2, Article 2.
DOI: 10.2202/1547-7355.1177

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Greg J. Anderson

Abstract

The so-called new institutional economics (NIE) has generated important insights in a range of fields including transactions cost economics, property rights law, and economic development. However, the majority of the literature in this field has focused on microeconomic institutions and their impact on economic decision making. Very little of it has attempted to apply the lessons of NIE to broader macroeconomic contexts or to international relations generally. The purpose of this article is to try and apply some of the insights of the NIE to recent events in North American economic integration, and suggest how the NIE could be employed to better understand the impact institutional changes to security since September 11, 2001 are having on economic decision-makers and patterns of North American integration.

KEYWORDS: economic institutions, security, NAFTA, economic integration

Author Notes: I would like to acknowledge the helpful comments of three anonymous reviewers of this manuscript, each of which contributed significantly to improving this paper. However, any errors of fact or analysis remain mine alone.

Introduction

In the summer of 1989, Francis Fukuyama famously proclaimed that the end of the Cold War marked the "end of history." The demise of the Soviet Union signaled the triumph of democracy and liberal capitalism. History's great ideological debates were over and the future of humanity would be rooted in the spread of both democratic values and the integration of liberal economies. At the time, and through much of the ensuing decade, evidence supporting Fukuyama's thesis seemed to be everywhere. With the Cold War over, governance everywhere seemed to be turning solidly democratic, including in the Western Hemisphere where by 1994 all countries, save Cuba, had democratically elected governments. In economics, the Uruguay Round of the General Agreement on Tariffs and Trade (GATT) created the World Trade Organization (WTO) in 1994, the Summit of the America's process launched negotiations aimed at created a Free Trade Area of the Americas (FTAA) among the Western Hemisphere's democratically elected governments (all save Fidel Castro's Cuba), and the 1992 Maastricht Treaty which formalized even deeper economic and political integration in Europe.

In North America, as elsewhere, integration was being driven by a range of forces– business, migration, culture– apart from government-led integration projects. Where governments have stepped into the process of integration, it was often at the behest of industry, and often in reaction to what was already taking place. This was the case in creating the 1965 Canada-U.S. Auto Pact, as well as creation of the Maquilladora Program by Mexico in that same year. However, large, government-led, integration projects such as the 1989 Canada-U.S. Free Trade Agreement (CUFTA) and the 1994 North American Free Trade Agreement (NAFTA) were, in many ways, years late in responding to what had already begun on the ground. In fact, the ink on the NAFTA had hardly dried before speculation began as to what the next stage of North American integration might be. While the forces shaping North American integration extended beyond the NAFTA, the Agreement itself has come to symbolize the broad range of forces shaping North American economic and political relations.

Yet, as most observers of international trade know well, since the terrorist attacks of September 11, 2001, the process of economic integration in North America has become intimately linked to security. So important has security become in the discussion of North American integration that many, including former U.S. Ambassador to Canada, Paul Cellucci, have stated plainly that security trumps trade in North American economics. Indeed, whereas just a few years ago the NAFTA was the most powerful symbol of North American economic integration, and an increasingly important element in how North American economic, political, environmental, even social, relations were being conceptualized and driven, security is now at least as evocative of how North American integration is proceeding as trade ever was.

How North American integration is proceeding with security as its new driving force is the subject of this article. Moreover, it is the conclusion of this article that security is driving the process of North American integration in unanticipated ways; ways not thought possible, or desirable in some quarters, during the time the NAFTA reigned as the main paradigm for thinking about North America. At the outset, it is important to note and be clear about the fact that the debate over many of the precise effects of the NAFTA, beyond the expansion of trilateral trade and investment flows, has been, and remains, the subject of fierce debate among scholars (Hufbauer and Schott 2005, 1-78).Yet, while the debate over how many jobs were lost or created due to the NAFTA, the exact environmental effects, or the Agreement's effect on productivity continues, security has altered the mix and complicated the measurement challenges in North American integration further still. At the same time we are seeing forms of integration unanticipated just a few years ago, our ability to assess the economic effects of security measures in North America has not kept pace with these changes– changes that this paper will argue are highly consequential for economic performance.

As part of the overall response to the terrorist attacks of September 11, the United States has embarked upon one of the most rapid, and profound alterations of its bureaucratic, law enforcement, and security structures in the nation's history. For a number of scholars and public policy practitioners concerned about North American integration before 9/11, the temporary closure of America's borders on 9/11, followed by the changes to U.S. bureaucratic, legal, and security procedures, transported the calculus of deeper North American integration from the realm of futuristic fantasy into pragmatic, even defensive, public policy making. Suddenly, debates about customs or monetary unions, "zones of confidence," NAFTA-plus, or the recently announced trilateral Security and Prosperity Partnership(SPP),[1] shifted from the chalkboards and classrooms of academia and into the range of plausible responses to the new nexus of economics and security in North America. The kinds of government led integration projects that only a few years ago would have required a major preparatory public and political effort to realize have in some measure become obvious points of departure in both the narrow debates over how to keep North America's borders open, as well as the broader discussion regarding the future of North American integration (Pastor, 2001; Hart, Dymond, and Noble 2004; Dobson 2002; Dymond and Hart 2004; Canadian Council of Chief Executives 2004).

When we pick up a newspaper and read that the U.S. Department of Homeland Security has drafted more rigorous rules for the U.S. Border Protection

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[1]The SPP is a wide ranging series of initiatives in North American economics and security initiated by Presidents Bush and Fox and Prime Minister Martin at their Waco, Texas Summit on March 23, 2005. See www.spp.gov.

Service or that U.S. immigration authorities will be applying more thorough screening procedures at U.S. ports of entry, we might reasonably conclude that the U.S. borders are becoming less porous for both people and goods. We may even conclude, as Canada's *National Post* did (August 24, 2004), that we are witnessing the "Mexicanization" of the 49^{th} parallel. Yet, simply positing that major geopolitical events like 9/11 can stimulate structural and policy changes lacks utility for those designing or working within such changes. Missing from the broad discussion of North American integration has been the central role of institutions and institutional change in shaping economic activity during the decade the NAFTA has been in operation. American University's Robert Pastor recently argued that while the European Union had too many "institutions," the NAFTA had too few (2001). Yet, the "missing" discussion about institutions referred to in this article has less to do with the kinds of permanent administrative or adjudicatory bodies advocated by Pastor and others, and everything to do with the way rule sets shape incentives and structure economic activity in North America.

Unfortunately, in the midst of the current debate over the future of North American integration, there is an absence of attention to the way in which trade and investment rules, as embodied by agreements like the NAFTA, generate incentives for economic activity beyond the standard chalkboard economics of international trade theory. How these kinds of rules generate incentives that shape economic activity has been the focus of the New Economics of Institutions (NIE); not institutions as we commonly see them depicted in the form of the IMF, World Bank, or the WTO, but rather economic institutions, or rules, that guide our economic decision-making, generate incentive structures, reduce uncertainty, and shape our behavior. This particular paper takes as its point of departure the definition of institutions put forward by Douglass North (1991). He writes, "Institutions are the humanly devised constraints that structure political, economic, and social interaction. They consist of both informal constraints (sanctions, taboos, customs, traditions, and codes of conduct), and formal rules (constitutions, laws, and property rights)" (97). How these humanly designed constraints function in governing our economic lives is highly consequential for our economic development. Understanding why particular institutions evolve, how they operate in terms of providing incentives, and what factors induce institutional change is a key, and under emphasized, component in the operation of our economic system.

Together with the traditional insights into the effects of economic openness offered by the basic neoclassical economic model (essentially choice under constraint), the study of economic institutions in the form described above posits an analytical lens, that goes beyond, but do not replace, the basic insights of the neoclassical model, into how the rules of the North American Free Trade Agreement (NAFTA), and now the institutions of 9/11, are shaping the way we think about economics in North America. More narrowly, the purpose of this article is two-fold;

first, it is a general call for more research into the nexus of international trade and institutions and second, a specific look at recent changes to the North American security-economic regime through the lens of institutions and institutional change. The broad thrust of institutional economics is simply that "institutions matter" for economic performance; for this paper it is that institutions matter for economic performance in North America specifically and that a range of post-9/11 institutional changes are having an important, and as yet underappreciated, impact on the process of North American integration.

It is important at the outset to note a key methodological dimension to this paper and an issue that bears on all social science research. Where as research in the sciences aims to establish firm causal linkages between independent and dependent variable in experimental settings, no such laboratory exists for social science research. The perspective taken in this paper, one broadly accepted in social science research, is to seek evidence establishing relationships or correlations between variables, while recognizing the limitations of establishing direct causality. This paper posits that institutions, such as the rules of the NAFTA or those established after 9/11, represent a set of predictor variables which we can reasonably hypothesize are associated to a range of economic outcomes, or criterion variables. A major argument of this paper is that the design of the predictor variables in our post-9/11 world has had insufficient attention directed toward understanding the criterion variables that are associated to them in the realm of economic performance.

The balance of this article will be organized into three separate parts beginning in Part I with a short reiteration of the some of the insights put forward by institutional economics and why institutions are so central to our economic decision making. Part II will involve a detailing of many of the post-9/11 security-driven institutional changes that are now affecting North American economic relations, and their particular impact on the Canada-U.S. border. Part III will consider the potential impact the institutions of 9/11 are having on economic decision making. Finally, Part IV will argue for why research and data collection with respect to institutional change in North America are as important for those who make public policy as it is for those who are subject to it. Just as the changes brought in by the NAFTA outstripped our ability to definitively assess the Agreement's impact, the institutions of 9/11 have also outstripped our ability to measure their impact economically. While this article is broadly designed to stimulate broader academic and public policy thinking on these issues, this last section will specify where we might want to begin that process.

Part I: Why Institutions Matter

The assertion that institutions are central to economic performance stems from the most basic of insights to emerge from the economic models of neoclassical economists; that our economic system is at its core all about choice under constraint. In other words, whether our analysis takes place at the level of consumers, large multinational firms, or the broader macroeconomic concerns of states, everyone faces a range of constraints, the most important of which is scarcity, that shape choice sets and structure our most basic decision making. The constraints that shape our economic, social, and political decision making are nearly everywhere we look and are comprised of a series of rules (formal and informal), practices, customs, and heuristics (or rules of thumb), and their enforcement mechanisms through which we cognitively interpret the disparate and myriad information we are confronted with each day. In athletic competitions, such as football, rules undeniably shape the way the game is played, but are not determinative of the final score. Each team's strategy is constrained and shaped by the rules of the game, yet each employs a different strategy against the other within those rules based upon their own strengths and weaknesses in order to emerge victorious.

Similarly, institutions shape the way the economic game is played, but do not necessarily determine outcomes since individuals, firms, even the state, will mold their respective strategies for economic success. Just as a change in the rules of a football game would alter the adopted strategies of coaches and players, a sudden change in the institutional structure confronted by economic decision makers would force a rapid alteration of consumer, firm, and state strategies for economic success. The importance of this set of issues is obvious while at the same time posing a range of both subtle and profound challenges for practitioners of public policy.

A rising standard of living depends on productivity increases. But productivity depends upon specialization in production and with it increased complexity in economic exchange, fraught with increasing uncertainty and numerous transactions costs. Were it not for the development of institutions to help guide economic activity, economic actors would be completely lost in a world where the cost and uncertainty of obtaining information upon which to base economic decisions would virtually prohibit economic exchange. Institutions, therefore, necessarily evolve along with economic specialization and serve to transform the uncertainty associated with imperfect information into risk, thereby reducing transactions costs, and facilitating the capture of the potential gains from trade (North 1991, 99-100).

While some of the most important insights into the impact of institutions and institutional change comes to us from economics, some of the most important work being done on the role of institutions in our economic lives has been emerging from the fields of cognitive science and psychology. One of the most important areas of work by researchers in these fields concerns the inclination for humans to try and order their complex world through simplifying heuristics, or rules of thumb (Simon 1979; Simon 1959; Baron 2000). In economics, this function is partially served by the many institutional structures that help guide economic decision making in what would otherwise be a world characterized by pervasive uncertainty and opportunism. Institutions provide us with rules of thumb through which we process the imperfect information around us. Economists frequently talk about the "profit maximizing" firm under conditions of perfect competition. If competition and information were perfect, the precise structure of economic organizations like firms would be irrelevant for economic performance (Coase 1937). We would then be in a zero transactions cost world where markets instantly established an equilibrium price and quantity for supply and demand and we could instantly contract with each other for virtually all forms of exchange. However, because we live in a world characterized by high transactions costs, imperfect information, and considerable uncertainty, in spite of institutions to help structure our decision making, it makes little sense to talk about the "profit maximizing" firm. If we continue with the football analogy, a zero transactions cost competition would negate the advantages of organization and strategy employed by either team.

Institutions and Modern North America

Once we begin thinking of institutions as rules that shape our decision making, we can readily see how they matter for contemporary economic performance. Transactions costs, uncertainty, contractual relations, and property rights– the domain of institutional economics– whether or not we always appreciate it, all underlie contemporary discussions of North American integration. There is an important and burgeoning literature on economic development growing out of the analysis of institutions which posits simply that institutions matter for economic performance (de Soto 1999; Ferguson 2004; Rodrick et al. 2002; Hall and Jones 1999; Glaeser et al. 2004). The analysis of institutions and their impact on economic performance reaches into literatures in development (de Soto 1999), industrial organization and the theory of the firm (Coase 1937; Bolton and Sharfstein 1998; Demsetz 1997; Hart and Moore 1990; Kronman 1985), the development of property and contract law (Macneil 1978; Macneil 1974), governance in domestic political bodies (Moe 1991; Weingast and Marshall 1988), and a simple neoclassical rational for the integration of the state itself (North 1981; Alesina and Spolaore 1997). A notable omission in this body of work is the scant scholarly attention paid by scholars of institutions to larger macroeconomic questions. One exception here has been the work of Beth and Robert Yarbrough who in the late 1980s tried to apply some of the insights of micro-level work on institutions to international trade (1985, 1986, 1987a, 1987b). Most intriguingly, the Yarbroughs argued that institutional structures such as the General Agreement on Tariffs and Trade (GATT) operate much like a private contract by delineating the terms of the relationships that develop among the membership, as well as how the GATT transforms uncertainty in trade relations into risk by managing the opportunistic behavior associated with the kinds of inter-temporal exchange involved in international trade (1987b), not unlike the ordering of relations between private parties through contracts.

Literatures Comprising The New Institutional Economics

Economics	Political Science	Psychology/Cognitive Science
International Trade	Industrial Organization	Reasoning and Problem Solving
Rational Choice Theory	Conflict Management	Information Processing
Law and Economics	negotiation bargaining	Rationality/Irrationality
Contracts/Agency	International Political Economy	
Behavioral Economics	Public Policy	
Transactions Cost Economics		
Theory of the Firm		
Development Economics		

Institutions matter, and in North America none has mattered more for international trade than those contained in the North American Free Trade Agreement (N AFTA). Institutional change in North American economic relations did not begin, or cease, with the conclusion of the NAFTA; institutional change is, in fact, a continuous process. The NAFTA has simply been one of the most important, and dramatic, sets of changes. The entire text of the NAFTA is, at bottom, a set of institutions (rules) as they have been defined here. The NAFTA as a set of institutions functions as a kind of trilateral contract, much as the Yarbrough's argued the GATT had done for the multilateral system. Yet, each and every chapter of the NAFTA, everything from the oft-ignored Preamble which extends the shadow of future cooperation for all three countries by "strengthening the special bonds of friendship and cooperation," to the many substantive provisions governing disputes, complex rules of origin, and tariff elimination is an institution that has structured economic decision making in North America. The rules of North American commercial activity as structured by the NAFTA influence everything from transactions costs, the distribution of property rights, to the conclusion of exchange contracts.

However, much as the NAFTA ushered in a series of dramatic changes to the institutional structure of North American economic relations, the many institutional changes to America's security posture since September 11 have rapidly inserted security into the lexicon of integration and rather dramatically altered the choice sets confronted by economic decision makers in North America. We frequently read that post-September 11 changes along the border have made security and economics virtually inseparable as issue areas. What those changes are, and how they may be influencing our decision-making are the subjects of Parts II and III.

Part II: The Institutions of 9/11

That institutions affecting North American economic and political relations have changed since 9/11 is well known. What is less well understood is just how profoundly post-9/11 changes to American security are altering the choice sets now confronting economic decision makers in North America. Further still, whereas just a few short years ago many academics, business people, public policy officials, even members of the public, were talking about deeper levels of economic integration with some degree of inevitability, the institutional changes brought about by 9/11 have cast some doubt on that inevitability. As institutions have changed, so too has the calculus of convergence in North America along social, political, and particularly economic lines. In fact, as we will see below, the new calculus of North American integration is comprised of a range of new incentives pointing toward both convergence and divergence in a new North American integration environment that now blurs the distinctions between security, economics, and migration (see Appendix A).

Some of the most important, and wide ranging, institutional changes to affect Canada-U.S. relations materialized rather suddenly in October 2001 in the form of the USA PATRIOT ACT.[2] While the PATRIOT ACT has famously altered significant portions of America's domestic legal institutional apparatus in the name of giving greater latitude– civil libertarians argue too much latitude– to law enforcement and officials in the new Department of Homeland Security to combat terrorism, the ACT also entailed critical changes to how America manages its borders, but particularly its border with Canada. While parts of America's southern border (the U.S.-Mexico border) have arguably been militarized for many years and the product of a range of unique issues, including illegal immigration and drug trafficking, the U.S.-Canadian border has historically been almost completely undefended with the exception of a hand full of U.S. customs and immigration agents sparsely positioned along the border's 5,525 mile length. The PATRIOT ACT began the process of changing that by mandating the tripling of Border Patrol, Customs, and Immigration officials along the Canada-U.S. border specifically. Other provisions of the PATRIOT ACT also heralded important institutional changes that almost immediately signaled changes to the ease with which people flowed into, and eventually out of, the United States. From the point of view of institutions, these changes also implied a different, likely higher, transaction cost structure as well. Specifically, Section 414 of the PATRIOT ACT added urgency to the development of an integrated entry and exit data system to track those foreign nationals who enter

[2] Technically Public Law 107-56, Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (USA PATRIOT ACT) Act of 2001, October 26, 2001, 107th Congress.

the United States; a process that was actually initiated by Section 110 of the Illegal Immigration Reform and Immigrant Responsibility Act of 1996. When originally proposed in 1996, the provisions of Section 110 were cause for considerable concern among Canadian officials (Sands 2002), primarily because of their potential, depending on how they were implemented, to significantly increase border crossing times.

The period since passage of the PATRIOT ACT has seen the partial implementation of Section 110 as ports of entry have been outfitted with fingerprinting and digital photographic equipment and nationals of many countries are screened, finger printed, and in some cases, interviewed prior to entry. Thus far, Canadian citizens have been exempt from the requirements of the US-VISIT program, as were citizens from Australia, Great Britain, Germany, France, and Japan; members of a group of so-called visa waiver countries to which the U.S. extends immigration preferences. Yet, in September 2004, the US-VISIT program was expanded to include those previously exempt visa waiver countries (DHS, Press Release, September 27, 2004). As of early January 2006, US-VISIT had processed more than 45 million travelers and intercepted nearly one thousand on criminal or immigration violations (DHS, Fact Sheet, January 17, 2006). For now, Canadians continue to enjoy privileged access to the U.S. market unavailable to nationals from any other country, including America's other NAFTA partner Mexico. However, the Congressional mandate that the U.S. immigration system be able to account for all foreign nations while they are in the United States will ultimately have to include Canadians as well. As part of the generalized effort by authorities to overhaul America's immigration system, the 2004 Intelligence Reform and Terrorism Prevention Act mandated that the Departments of Homeland Security and State devise a plan to require passports, or other documentation, for all persons entering the United States, including U.S. citizens, by 2008 (PL 108-458, December 17, 2004). This led to the creation of the Western Hemisphere Travel Initiative in April 2005 (Department of State Briefing, April 5, 2005) which initially proposed to require all entrants to carry a passport with biometric identifiers embedded within. However, the practical hurdles to this plan more recently gave way to the introduction of drivers licence-like "passport cards" as an alternative (See DHS "Fact Sheet: Secure Borders and Open Doors in the Information Age," January 17, 2006).

While the details of the new "passport card" system are still being worked out, it is clear that Canada will either have to adopt a parallel system or Canadians wishing to transit frequently to the U.S. and are not holders of a passport will need to obtain one of these cards. In either case, changes to security institutions will have driven a kind of bureaucratic integration regarding the flow of people across the Canada-U.S. border that was unthinkable, and certainly politically untenable, just a few years ago. Where before customs and immigration authorities in each NAFTA country jealously guarded both their prerogatives and jurisdictional sovereignty in terms of policy, and information sharing, and more strictly limited cooperation to a select set of areas, the new imperatives of security are blurring, even erasing, many of these traditional cross-border bureaucratic barriers.

The effects of some of these changes are already being felt in America universities and research institutions. As American anti-terrorism measures have been implemented, considerable delays in processing and approval of immigrant applications have occurred. According to the Department of Homeland Security, just slightly over 700,000 people became permanent U.S. residents in 2003, down from more than 1 million the year before, and only 463,000 people actually became U.S. citizens in 2003, a twenty percent decline from the previous year (*Washington Post*, September 23, 2004). So serious have these concerns become that DHS and State have been working to reduce student visa processing times, issue visas up to 120 days in advance of study, and expand the entry window for those visas from 30 to 45 days in advance of study. In the broader context of the U.S. war on terror, security institutions affecting immigration are having a negative impact on one of America's greatest assets in winning hearts and minds: education. As Secretary of State Condoleeza Rice recently argued at the U.S. University Presidents Summit Dinner,

> we must actively recruit students from these new strategic countries to live and study in America.... we must find a way to help these students to realize their dreams– studying in America– because if we do not reach them, others will (Condoleeza Rice, Remarks at the U.S. University Presidents Summit Dinner, January 5, 2006).

Anecdotal evidence has also begun to surface that Canadian universities have become the beneficiaries of tougher U.S. Visa requirements on foreign student applications whereby prospective students and researchers have elected to avoid potential delays or problems by attending Canadian schools rather than American universities (*Globe and Mail*, February 22, 2005).[3] If this evidence is borne out in empirical research, the implications for the Canadian and U.S. research and development communities, as well as the long-term health of each country's labor force, are obvious.

New U.S. security measures are also providing new incentives for Canada's airline industry. Over the past several years, Air Canada has launched a range of new services to Latin America, in part because of increased demand, but also because of "U.S. Government Visa requirements when transiting via the United States" (Air Canada, News Releases, September 2003 through March 2004). Some of that increased demand has been fueled by concerns in Canada stemming from the Maher

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[3] Discussions with the registrar at my home institution reveal a similar range of growing anecdotal evidence from new foreign students and researchers.

Arar case in which Mr. Arar, a Syrian-born Canadian, was detained by U.S. immigration officials as he transited New York's Kennedy Airport on his way back to Montreal from a family vacation to Tunisia in September 2002. Mr. Arar was returned to Syria where he spent most of the next year in a Syrian prison and was allegedly tortured because he had been wrongly identified as a "person of interest." However infrequent such cases of mistaken identity may be, the Arar case has stirred enough concern among Canadians that many are reluctant to transit through the United States at all (Canadian Broadcasting Corp. at http://www.cbc.ca/news/background/arar/index.html. See also Canada, Department of Foreign Affairs, Travel Report, United States.)

The university and Air Canada examples serve as reminders that the issue being pursued here is not simply that institutional change since 9/11 automatically translates into a series of delays, all of which raise transactions costs, hindering the free flow of goods, services, and people across the Canada-U.S. border. Institutional change creates not only salient barriers and opportunities as explicitly created, say in a piece of legislation, but also alters the broader choice sets decision makers confront. In some spheres, institutional change may bring about unwanted consequences, such as border delays. In others, new measures are actually making it easier to monitor intellectual property protections because inbound cargo is being more rigorously screened (*Wall Street Journal*, October 4, 2004). Some portion of new rigor in screening cargo entering North American can be attributed to the rapid increase in the exchange of customs data, the establishment of joint U.S. and Canadian customs and immigration facilities (*Wall Street Journal*, September 1, 2004) and joint teams of container inspection teams at key sea ports such as Halifax, Vancouver, Seattle, and Newark as called for in the Canada-U.S. Smart Border Accord (See "U.S.-Canadian Border Agreement," at www.whitehouse.gov).
In some sets of policy areas we are witnessing institutional change that is facilitating significant convergence of U.S. and Canadian institutions and practices, in a manner not inconsistent with the predictions of analysts regarding deeper North American integration driven and guided by economics and agreements like the NAFTA. Yet, at the same time, other post-9/11 changes have the potential to generate a kind of cross-cutting divergence that could halt, or at least slow that inexorable procession toward deeper North American integration as many thought of it on September 10, 2001.

The examples offered above, immigration, air transport, and cargo screening, offer mixed, and as yet anecdotal, evidence of how institutional change in North America is shaping deeper integration– as in the sharing of information, or the establishment of joint facilities or inspection teams– that might not ordinarily have taken place were it not for the addition of security as a component of North American relations inseparable from economics. Yet, as the post-9/11 institutional changes concerning the movement of people suggests, the liberalization of the flow of people may be further from realization than ever. Prior to 9/11, greater labor mobility within the NAFTA bloc was one of several logical next steps for many who envisioned a deeper, more integrated North America, closer in form to the European Union (Pastor 2002). In fact, in the days leading up to 9/11, Mexico's Vicente Fox had been in Washington for talks with President Bush about a guest worker program aimed at relieving some of the strains illegal immigration was generating along the U.S.-Mexico border. After 9/11 exposed serious weaknesses in America's immigration system, plans for a guest worker program were shelved and only half-heartedly revived again in the spring of 2004 (See White House Fact Sheet, "Fair and Secure Immigration Reform," January 7, 2004; see also Weintraub 2004). Security weaknesses along the U.S.-Mexican border have only stoked long simmering concerns about migration across the border, and even prompted proposals in Congress for additional fortifications (See House Resolution 4437, passed in the House of Representatives, December 16, 2005, 238-182; see also H.R. 4083 referred to House Homeland Security Committee, October 2005; BusinessWeek, "Where Security Trumps Trade," February 10, 2005). Such changes would have an obvious impact in terms of creating a physical border. However, the broader impact of the institutional changes in terms of enhanced enforcement and security along the border would also have real implications in terms of changing the incentives and choice sets confronted by American businesses that have become dependent on low-cost labor for their competitiveness.

Numerous analysts have identified the nexus of security and economics as the center of a new set of realities in relations between the NAFTA's partners (See C.D. Howe Institute's *Border Papers* series at www.cdhowe.org or the Institute for Research in Public Policy's *Art of the State* series at www.irpp.org) and many of those have singled out a range of initiatives as indicative of this change, among them the PATRIOT ACT, the provisions of the Smart Border Accords with Mexico and Canada, or programs within them such as the FAST (Free and Secure Trade), C-TPAT(Customs Trade Partnership Against Terrorism), the NEXUS frequent traveler program, or the Integrated Border and Marine Enforcement teams that have been established. There have also been a range of lesser known, or at least less well-publicized, measures that have altered North America's institutional structure and therefore are also changing the choice sets confronting economic decision makers.

Particularly noteworthy are the advance reporting provisions of both the U.S. Trade Act of 2002 and the U.S. Public Health and Bioterrorism Preparedness and Response Act of 2002 (Public Law 107-210 and 107-188 respectively). Under both laws, shippers of goods to the United States are now subject to a range of advance reporting requirements depending on the mode of transportation being used to ship them. Specifically, as of January 2005, shipping of any kind to the United States required that electronic manifests be shared with the U.S. Customs and Border Protection Service and with advance times of as much as 24 hours in the case of ocean-going vessels, 4 hours if shipments are made via air, 2 hours by rail, down to as little as 30 minutes for trucks participating in the FAST program (U.S. Customs and Border Protection Service , "Frequently Asked Questions," Trade Act of 2002 Final Rule, August 3, 2004; see also Trade Act of 2002, Title III, Section 343, Mandatory Advanced Electronic Information for Cargo and Other Improved Customs Reporting Procedures). However, the Bioterrorism Act of 2002 goes even further in mandating that foreign shippers have a designated agent or representative in the United States, register with the U.S. Food and Drug Administration (FDA), and provide advance notification of food shipments of 2 hours by road, 4 by rail or air, and 8 if arriving via water (See PL 107-188, Public Health Security and Bioterrorism Preparedness and Response Act of 2002, Section 307; and FDA, Guidance for Industry, Prior Notice of Imported Food, Questions and Answers, May 2004 at http://www.cfsan.fda.gov/~pn/pnqagui2.html#require). In addition, the Container Security Initiative which aims to inspect container cargo at foreign ports before it is loaded for transport has pushed U.S. border controls beyond U.S. shores and into foreign ports by placing both agents and U.S. technology in foreign countries as a kind of condition of shipping to the United States. The first countries party to the CSI came on-stream in early 2002, and currently comprises more than 40 ports covering more than 80 percent of container traffic to the United States (Haveman, Shatz, and Vilchis 2005). Each new requirement represents a change in the structure of transactions costs faced by firms, which in turn alter firm productivity and profitability. For some, this could mean economic decline. For others, such changes present new opportunities. Perhaps no firm has taken advantage of the opportunities presented by the institutions of 9/11 better than United Parcel Service (UPS).

Famous for their distinctively bland fleet of brown delivery trucks and brown-clad employees, UPS has in recent years dramatically shifted its focus from mere package delivery and into providing integrated supply chain management services for its clients. Moreover, beyond the timely delivery of inputs for manufacturers, UPS has begun casting itself as a kind of one-stop business solution for cross border trade in North America through its UPS Trade Direct programs and participation in many of the U.S. government's new border security measures, including C-TPAT and FAST. UPS now offers firms a complete range of services that include everything from handling the complex NAFTA rules of origin, advice on customs classification of goods, even expertise on the local cultural sensitivities involved in cross-border trade. Furthermore, UPS has begun advising its many clients on procedural changes to a range of post-9/11 institutional changes, including the 2002 Bioterrorism Act, the Container Security Initiative (CSI), and FAST programs. In all of these, UPS has taken on many of the most difficult bureaucratic hurdles facing firms in post- 9/11 cross border trade and brought them "in house" as a way of internalizing a range of transactions costs both they and their clients would ordinarily face, thereby offering their clients added efficiency and simplicity in their operations, as well as positioning UPS itself as a premier supply-chain management firm. That UPS has responded organizationally to the new institutional economic environment rooted in security will come as no surprise to scholars of industrial organization or the theory of the firm. In fact, Ronald Coase first argued in 1937 that the emergence, organizational structure, size, and range of activity engaged in by firms are determined by prevailing institutional structures. In essence, UPS has behaved much like a football team engaged in rethinking its game-day strategy after a number of rule changes imposed by the league.

We can intuitively understand that choice sets arising from institutions affect the decision making from the level of the individual all the way up to the multinational corporation. Yet, in looking at "post-9/11 institutions," we need to get beyond an intuitive or anecdotal understanding and begin looking for evidence of their impact on North American economic activity. We can surmise, as advocates of new deep integration projects such as customs or monetary unions have, that post-9/11 institutions designed with security in mind could have a detrimental impact on cross-border economic activity. Yet, before we begin offering bold solutions to an intuitive problem, we need to take our intuition and begin looking beyond increasing border wait times as a rationale for a North American customs union or "zone of confidence," as some in Canada have called for, and examine more closely how they are altering incentives more broadly.

Part III: Indicators of the Impact of Post-9/11 Institutional Change

One of the great problems with an institutional approach to understanding economic performance centers on the difficulties of measurement familiar to many social scientists. Unfortunately, the intuitive reasoning that leads to the conclusion that "institutions matter" is coupled with a frustrating lack of direct empirical research into the "why," "how much," or "in what ways" they matter. For instance, there have been few efforts to directly measure concepts like transactions costs or uncertainty, in part, because of the sheer expense and effort of doing so. Instead, institutional approaches tend toward the historical or evolutionary, are almost exclusively focused on firm-level changes, and seek conclusions through the use of alternative data as proxies or backdoor indicators of the impact of institutional differences on economic performance (Shelanski and Klein 1995). In dealing with North American integration from the point of view of institutions, we are in fact talking about alternative forms of governance (different rules). However, as Paul Joskow remarked in the context of anti-trust regulation,

> Unless we can find good ways to quantify the magnitude of the differences in costs of alternative institutional arrangements, it will

> be difficult to do the necessary trade offs even when we convince... authorities or regulators that tradeoffs are appropriate (1991, 81-82).

How can we account for the numerous observed differences in organizational structure, even among firms facing the same market conditions? How can we account for apparent violations of the law of one price among tradables within a free trade area like the NAFTA (Ceglowski 2003; Bernard, Warren, and Yan 2005)? And, how do we know whether institutions are even responsible? (Rodrik, Subramanian, and Trebbi, 2002; Hall and Jones, 1999). For instance, during the decade in which the NAFTA has been in operation, there has been no shortage of scholarly ink expended trying to figure out the agreement's precise impact. Competing sets of figures and statistics have been bandied about by both fans and critics of the NAFTA, all depicted as evidence of the agreement's success or failure to live up to expectations (Hufbauer and Schott 2004; Hufbauer et al. 2000; Destler 1995; Dobson 2002; Macrory 2002; Dymond and Hart 2003). As part of their own advocacy efforts, governments too have waded into the debate. For instance, the U.S. International Trade Commission and the U.S. Trade Representative spent considerable time on this issue in support of the effects of the NAFTA and have even gone so far as to claim that the combined effects of the NAFTA and the Uruguay Round of the GATT have been responsible for annual income gains of between $1,260 and $2,040 for the average American family of four (United States Trade Representative). Yet, their own methodology implicitly acknowledges that many assumptions and extrapolations had to be made to arrive at these figures,[4] all of which is suggestive of the measurement problems confronted by those seeking empirical analyses of the impact of institutions. The debate over the NAFTA is one that could easily be replicated in trying to assess the impact of post-9/11 institutional change on integration in North America. In many areas, the changes we observe have simply not been in operation long enough to have acquired the kind of data necessary. In others, we are simply not collecting the kinds of data necessary to make such assessments. The US-VISIT Program, for instance, only became operational in December 2004, but only partially since arriving passengers will be screened at all ports of entry, with exit procedures still in the test phase at only a few major airports and (as of February 2006) remain to be implemented at land borders. Similarly, the advance reporting provisions of the 2002 Bioterrorism Act have only been in effect since January 2004 and efforts under Container Security Initiative are just now

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[4]"For both Uruguay Round and NAFTA calculations: Internal USTR calculation comparing pre and post- tariff rates for Uruguay Round as reported by the World Bank in "The Uruguay Round Statistics on Tariff Concessions Given and Received," J. Michael Finger, Merlinda D. Ingco, and Ulrich Reincke. Tariff rates were applied to relevant volumes of trade in 1999. Quoted from USTR *Estimate of Income Gains from the Uruguay Round and the NAFTA*.

entering their final phase (Haveman et al. 2005, 8). As importantly, we have yet to engage in the kinds of data collection and analyses required to assess the impact of US-VISIT procedures on America's ability to attract human capital or on the impact reporting measures are having on firm cost structure.

Many of the most substantive efforts to articulate the importance of institutions and institutional change have also involved contrasting institutional structures in the developed world with those in the developing world as explanations for relative differences in economic performance (Hall and Jones, 1999; International Bank for Reconstruction and Development 2005; see also Oxfam International 2003). While the kinds of institutional difference depicted in comparisons between countries of the developed and developing world are useful in terms of casting the study of institutions and institutional change in sharp relief, understanding the impact of institutional differentials in the developed world, all of which are more subtle, is more of an empirical challenge. We do have examples of rather dramatic– Douglass North might say "discontinuous" (1990, 89)– institutional change in North America in trade, beginning with the Canada-U.S. Free Trade Agreement which came into force in 1989 and then the North American Free Trade Agreement in 1994. Although consensus on the precise effects of these agreements has been elusive, most scholars and public policy officials agree they have had a dramatic impact in a range of areas. Given the range of institutional changes that took place after 9/11, is it possible that the period immediately following amounts to another kind of discontinuous change in North America? If so, how would we know given two of the three NAFTA partners are so obviously similar, all three are members of the Organization for Economic Cooperation and Development (OECD) and therefore arguably have somewhat comparable institutional structures?

In highlighting some of the post-9/11 institutional changes to border security and immigration under the 2001 USA PATRIOT ACT, or those affecting food shipments to the United States under the 2002 U.S. Bioterrorism Act, we have only scratched the surface in terms of the range and breadth of institutional change that has begun to affect patterns of integration in North America. In addition, the many defensive proposals that have been put forward for an even more dramatic economic and security arrangement to build a "zone of confidence,"customs union, or even monetary union in North America (Canadian Council of Chief Executives 2004; see also *National Post* October 16, 2004), are really proposing more discontinuous change in North America's institutional structure that will in turn shape the incentives and choice sets of economic decision-makers. Whereas just a few years ago, labor mobility seemed to be one of the last major frontiers to be broached and conquered in terms of setting up a genuine North American community (Pastor, 2004; Pastor 2001, chapter 4), security concerns have forced the reconsideration of all aspects of immigration policy and generated more obstacles, more scrutiny, and more delay rather than the other way around. In short, rather than the convergence once thought to be so obviously inevitable in the North American economic space, security has driven a kind of wedge into the institutional structure governing labor mobility in North America that has hardened, instead of loosened, barriers to labor mobility among NAFTA partners. In other words, prior to 9/11, all signals were pointing to continued convergence in economics with a new focus, particularly between the United States and Mexico, on labor mobility. In the period since, we have the ingredients for a kind of divergence as frontiers harden and become more, not less, prominent parts of our economic lives.

Yet at the same time, the imperatives of post-9/11 security cooperation among all three governments (information sharing, integrated border enforcement, shared customs and immigration facilities, and joint patrols of select port facilities) have generated a kind of convergence in areas which prior to 9/11 would have been politically unthinkable. This new mixture of cross-cutting, convergent and divergent impulses is readily seen in the recently announced Security and Prosperity Partnership (SPP) the most substantive elements of which are heavily skewed toward enhancing trilateral cooperation on security (see www.spp.gov). A large body of research strongly suggests that borders matter in economic terms, and are difficult enough to overcome within integrated national economies, much less between sovereign jurisdictions (Schwanen 2000; Doern and MacDonald 1999; Engel and Rogers 1996; McCallum 1995; Helliwell and Cerdier 2001; Ceglowski 2003; Ceglowski 2000). This remains a salient issue in the post-9/11 period for the NAFTA area. While for much of the past twenty years the importance of borders in the economic lives of Canadians, Americans, and Mexicans seemed to be on a path toward continuous decline, borders seemed to suddenly thicken after 9/11. Are the boundedly rational perceptions about institutions which help shape our preferences, choice sets, and incentive structures contributing to a new kind of divergence in the North American economic space? Is it universal, or could it be restricted to a select set of policy areas such as immigration, whilst convergence continues apace in others such as cross border flows of goods, services, and investment? Where might we be looking in order to find out?

Part IV: What Are We Looking For and Where?

The importance and challenge of sorting out the range of measurement issues related to this line of analysis for North American integration cannot be overstated. As the basic debate over the impact of the NAFTA has demonstrated, evaluations of the economic impact of a set of institutions like the NAFTA can be lost in competing sets of statistics. Determining how much of the economic boom of the 1990s was a product of the NAFTA itself may never be known. Yet, as with the debate over the NAFTA, we can look to a series of indicators for clues as to how post-9/11 institutional change is affecting economic activity and patterns of convergence and divergence in North America.

Just-in-Time Production

Just-in-time manufacturing procedures, especially those used by North American auto companies, are well known tools of supply management that generate tremendous efficiencies for modern production techniques. However, among the keys for just-in-time production are a reliable transportation network and predictable patterns of delay as parts cross from one jurisdiction to another. As the closure of the Canada-U.S. border on 9/11 demonstrated, these production techniques can quite easily be disrupted by the imperatives of security– hence moves by UPS to move heavily in to supply-chain management. We have already witnessed unexpected delays at border crossings related to periodic increases in the U.S. Department of Homeland Security's color-coded terror alert system which automatically triggers increased vigilance at border crossings. Just-in-time manufacturing processes are sophisticated enough to be adjusted to account for such delays, but for how long will firms wish to continue building such adjustments into their production streams as opposed to simply sourcing a growing share of their inputs such that they do not have to cross borders and face such potential delays. This basic rationale is behind calls for the creation of a "zone of confidence" or customs union in North America that would ensure such border crossings within the NAFTA zone are unnecessary. Going forward, both researchers and public policy practitioners need to begin grappling with what are often subtle, but important, institutional changes emerging in the post-9/11 security environment that are shaping everything ranging from individual consumer choice, to firm level decisions concerning organization and production, to the performance of the macro economy. We know, for example, that a large share of the cross-border trade in goods is in the form of intra-industry trade. Is it possible that as a result of the thickening of the border we might be able to detect a shift in the composition, if not perhaps also volumes, of intra-industry trade wherein firms source fewer and fewer of their most critical components from outside national boundaries?

Patterns of FDI

A related area of focus for determining the impact of 9/11 on institutions and the incentives they generate in North America is with respect to flows of foreign direct investment into North America (IFDI). Since 1989 and the implementation of the Canada-U.S. Free Trade Agreement (FTA), Canada's share of all North American IFDI has been in secular decline (Sancak and Rao 2000). The question many economists continue trying to answer is 'why?', particularly given that part of the Canadian rationale for the 1989 FTA was to make Canada a relatively more attractive destination for IFDI in North America. While that particular mystery remains to be completely solved, we could reasonably add another question to be investigated in the wake of post-9/11 institutional changes; have post-9/11 institutions imposed a kind of "terrorism premium" on inflows of FDI in terms of the targets of new investment capital? For instance, has a hardened Canada-U.S. border made Canada even less attractive as a destination for FDI, or perhaps made it more-so because of the seemingly heightened threat of terrorism in the United States? Has the financial calculus of firms come to include a rationale that channels FDI so as to avoid having to deal with the border altogether. In other words, are firms now seeking to ensure a presence in the largest of the three North American economies while then servicing the less significant Canadian and Mexican markets, border permitting? Or is it possible that firms are increasingly viewing the threat of terrorism in the United States, or its increasingly worrisome fiscal position, and associated costs, in contrast to the more favorable incentives offered by either Canada or Mexico?

Immigration Patterns

We have already detailed some of the institutional changes affecting the movement of people to and within North America; namely delays in processing and new, some would argue burdensome, procedures being imposed on visitors under programs such as US-VISIT. There is substantial anecdotal evidence regarding the issuance of U.S. Green Cards, as well as the processing of citizenship applications. In addition, American universities, many of which have historically been the destination for a range of the world's most promising students and researchers, now face a range of bureaucratic hurdles that have discouraged some foreign students from attending. Could Canadian or Mexican universities increasingly become the beneficiaries of U.S. immigration restrictions that are dissuading foreigners from entering the United States? Will America's human capital loss become Canada's gain, eventually augmenting the status of Canadian universities around the world as first-class research institutions? Can we find evidence of a similar flow of highly skilled or educated persons wishing to permanently emigrate to Canada over the United States? Could the mere perception of additional restrictions in the United States result in a kind of "brain gain" for Canada as would-be immigrants of all stripes select Canada as their preferred destination?

Reporting Requirements

In a similar vein to the kind of evidence we seek with respect to IFDI, we might also ask whether the new, and in some cases arduous, reporting requirements for goods shipments to the United States might ultimately result in a kind of consolidation of more and more North American production in the United States itself. Transactions costs are a significant, and as a result of many post-9/11 institutional changes growing, component of many businesses' overall cost structures. Mechanisms such as CT-PAT and FAST, as called for under the Canada-U.S. Smart Border Accord, are designed to minimize the impact of transactions costs associated with advance reporting requirements. Nevertheless, in each of these, it is government that has passed on much of the responsibility for advance reporting, tracking of financial transactions, or the certification of security procedures to the firms themselves—in essence a kind of unfunded mandate that has been imposed on firms by U.S. authorities. Will firms operating in either Canada or Mexico continue to be willing to absorb this responsibility and cost? Or will they eventually opt for wholesale relocation to the U.S. market to avoid the vagaries of border policies which are shaped more by security concerns than arguments favoring greater economic openness and interdependence?

Conclusions

The main goal of this article has been to draw the attention of public policy makers, practitioners, and scholars interested in post-9/11 security to the implications of these changes for economic performance in North America. Popular and scholarly treatments of North American integration have tended to focus on the inevitability of deeper integration as typified by the NAFTA and various proposals for that agreement's deepening. Yet, with the advent of security as a primary driver of movement toward North American integration, the focus of scholarly assessments of public policy changes in security need to shift more heavily toward how institutions within the security-trade nexus are shaping incentives and structuring the choice sets of economic decision-makers. Institutions matter for economic performance, and since 9/11, that set of institutions includes those security measures that are having direct and indirect effects on economic performance.

The new institutional economics, and its associated literatures, put forward an analytical lens through which to view North American integration that posits broadly and simply that "institutions matter." While the public and scholarly debate over how much they matter in the case of the NAFTA will undoubtedly continue for some time, it is a debate that has focused too heavily on raw trade and investment flows to evaluate its effects. As important as those kinds of measurement indices are, the debate over the NAFTA's impact would be usefully served by a more explicit consideration of the NAFTA as a set of institutions that shapes how we think about our economic choice sets in North America. Such a point of view is particularly important as we actively consider the hundreds of initiatives wrapped up in the North American Security and Prosperity Partnership (NASPP) currently being worked on by all three NAFTA governments.

The institutions of the NAFTA both recognized as well as ushered in convergence in economics in North America. The institutions of 9/11, including the NASPP are doing so again. However, as this paper has argued, the emphasis on security within the institutions of 9/11 has generated impulses toward convergence in North America on several, previously untenable, dimensions that the NAFTA never envisioned because of security. At the same time, the institutions of 9/11, linked, even indirectly, as many of them are to economic performance have also generated a countervailing set of impulses toward divergence, notably in migration, that are changing our conception of what North American integration entails.

This may be especially true in terms of the impact security is having on how the people of North America now look at, and think about, their shared borders. Whereas the trajectory of North American integration leading up to and beyond the NAFTA to 9/11 seemed to herald the continuing decline of borders as meaningful entities in our economic lives, security as an inseparable part of economics in North America thereafter has changed all of that. Since 9/11, North America's borders have become more, not less significant; less, not more porous; and more prominent, not less so, as entities in our economic, social and political lives. To the extent that North America's existing borders remain the focus of institutional design to address security concerns, we run the risk of creating the incentive structures and choice sets that hinder the very economic prosperity the institutions of 9/11 are designed to protect. That does not necessarily imply that the pursuit of a customs or monetary union in North America is the only way to alleviate the economic trade-offs inherent in fortifying existing borders. However, as this paper has sought to argue, it is the trade-offs in the design of these security institutions that have prompted calls for even more dramatic solutions that would rapidly deepen North American integration.

The problem is that we are not really equipped to assess these issues, either in our data collection or our analysis of existing data. Consider the North American Security and Prosperity Partnership as a prime example of the gaps in our understanding of how institutions shape our decision-making. Like the NAFTA before it, the NASPP, is thought by many to be either the next wave in "deep integration" or a potpourri of initiatives orphaned from other processes that will have little perceptible impact at all. Well, which is it? Without efforts to evaluate the impact of the new institutions that have arisen out of 9/11, including the recent Security and Prosperity Partnership initiatives, we will be unable to say much more about the impact of changes along the border than that waiting times are higher, there are more customs and immigration officials at checkpoints, or that America's borders seem to be getting less and less friendly. At a minimum, we see in the NASSP the apparent bargain, and tension, between the kind of economic openness so deeply tied to our prosperity and the kinds of measures require to ensure our security. It is a bargain struck out of necessity in an age of terrorism, and one not envisioned when Fukuyama spoke of the triumph of both liberal democracy and capitalism at "the end of history."

During the late 1990s, we were warned about the rising threat of illiberal democracy (Zakaria 1997). As long we are in midst of this bargain between security and prosperity, we need to be cautious about our concern for security ultimately generating a kind of "illiberal economy" whereby security, as important as it is, generates incentives and barriers to integration that hinder rather than facilitate economic growth. Yet, until we engage in the kind of search for evidence that will back up assertions in favor of, or against, even more dramatic shifts in the institutional structure of North America, we will lack the evaluative tools necessary for the development of the kind of institutional change in North America so key to America's continued prosperity.

Appendix A
Institutions of 9/11 and North American Integration

	Goods & Services	Foreign Direct Investment	People/ Migration	Political/Bureaucratic Institutions
NAFTA	None. Free trade agreement represents shallowest form of economic integration. Agreement managed by respective national bureaucracies. No supranational institutions.			
Tariff Reductions	Stimulated additional production and efficiency along lines predicted by neoclassical theory. Enshrined principle of national treatment (non-discrimination). Significantly reduced impact of border on goods and services.	Encouraged additional FDI into North American market, especially U.S., to service entire North American market		None. Created no permanent institutional bodies. Tariff rates toward non-NAFTA trade partners maintained by each NAFTA country.
Chapter 11 Dispute Settlement (Investor-State)		Provided additional security in property rights. Eliminated capacity for discrimination based on national origin. Agreed to use of common set of dispute mechanisms.		Referred dispute cases to existing arbitration mechanisms at World Bank (ICSID) and United Nations (UNCITRAL). No new institutions created.
Chapter 19 Dispute Settlement	Created ad hoc dispute settlement mechanism as alternative to domestic procedures. Generated increased certainty for market access.			None. Panels are ad hoc. Decisions do not set precedents for other cases.
Migration/Temporary Entry (NAFTA Visas)			Created TN Visas for professionals to work temporarily in any NAFTA country. Facilitated exchange of professionals, more deeply entrenched integration of NA work force.	None. Managed by each country's existing immigration authorities.

9/11 Institutions	Closure of U.S. land borders on 9/11 stimulates a flurry of defensive integration proposals from Canada and Mexico such as a customs or monetary union as a solution to the imperatives of security while maintaining economic openness.			
USA PATRIOT ACT	Provision for 3,000 additional Customs and Border Patrol officers along Canada-U.S. border. More scrutiny of cargo and people. Translates into delays and alterations in just-in-time manufacturing. Border less porous, less predictable.		Implement Entry-Exit provisions of 1996 immigration legislation. Has become US-VISIT program. More monitoring of activities while in the United States. Canada launches own program to require permanent residents to carry additional identification.	New procedures at U.S. ports of entry under U.S.-VISIT program . Fingerprinting and photographing of visitors. Exit procedures being tested a select U.S. airports.
2002 Bioterrorism Act	New cargo reporting procedures. Changes are especially important for producers of fresh produce in Canada and Mexico. USDA embarks on lengthy campaign to educate foreign producers/shippers on the new rules.			Customs authorities now share information regarding cargo arriving at their shores for transhipment to NAFTA partner.
Canada-U.S. and U.S.-Mexico Smart Border Accords	No supranational institution created, but each Border Accord promises greater cooperation, information sharing, and policy coordination than envisioned under the NAFTA. Launches FAST, C-TPAT, and initiates cooperation on Integrated Border and Marine Enforcement Teams composed of officials from all three countries to jointly patrol shared borders.			
North American Security and Prosperity Partnership	Literally hundreds of initiatives, some of which, on the Prosperity agenda, were left over from the NAFTA negotiations. Similarly, the Security agenda also contains literally hundreds of initiatives, large and small. However, the security imperative now drives both agendas and has led to integration in areas previously thought not possible. The SPP, like the NAFTA, has created no new institutional structures among NAFTA partners, but provided the rationale and mechanisms for greatly enhanced cooperation and resource sharing among national agencies across each of these areas.			
DHS Reorganization/Programs, Homeland Security Act of 2002	Largest reorganization of Federal Government since World War II. 22 agencies moved under single roof. Numerous growing pains and conflicting lines of responsibility. Canada responds with own reorganization in creating the Department of Public Safety and Emergency Preparedness. Not integration, but clearly a policy response designed to synchronize Canadian policy apparatus with that in the U.S.			
FAST/NEXUS/SENTRI			Grants frequent travelers access to expedited customs and immigration procedures at airports and land border crossings.	Augmented information sharing and systems integration among NAFTA countries to monitor and register users.

Container Security Initiative	Augments screening of shipping containers for hazardous goods at ports of origin.			U.S. personnel stationed in foreign ports, Canadian officials stationed in key U.S. ports as well.
Intelligence Reform and Terrorism Prevention Act of 2004 (PL 108-458)	Western Hemisphere Travel Initiative. Requires U.S. citizens and foreign nationals to present passport or other security document when entering the United States. Impracticality leads to DHS People Access Security Service program January '06. Canada widely expected to follow suit. Title V establishes the Advance Technology Northern Border Security Pilot Program as well as funds for additional Border Patrol, Customs, and Immigration agents.			
C-TPAT	Shippers and firms implement approved security measures for their entire supply chains to qualify for expedited transit at border crossings. Essentially passes cost of additional security measures on to firms in exchange for expedited inspection procedures.	Could new security procedures generate incentives to avoid investment in either Canada or Mexico in favor of the U.S. market.		

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