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AN EXPANSION OF NAFTA INTO A NORTH AMERICAN UNION

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Abstract

The North American Free Trade Agreement is a trade agreement between Canada, Mexico, and the United States which has drastically reduced trade barriers between member countries and facilitated increased trade and prosperity in these regions. Following the success of NAFTA, a likely next step would be to expand the breadth of the agreement and to develop closer economic and political ties among members. The European Union is of much relevance to any progression of NAFTA. Looking at the history and evolution of the EU, one may theorize about a beneficial progression for NAFTA members to follow. As the EU has already invested years examining the important factors and methods for integration, NAFTA members may benefit from the results. Taking many cues from the European Union, this thesis will examine what a North American Union might look like and what elements may or may not be of benefit to Union members. This will cover topics as minimal as further reduction of trade barriers between NAFTA members to proposals of currency union and member expansion to the likelihood and benefit of full economic and political integration of a North American Union.

Table of Contents

What is NAFTA?

NAFTA—the North American Free Trade Agreement—is a trade agreement between the countries of the United States, Canada, and Mexico. Its purpose is to limit barriers to trade in order to mutually benefit each member country. As of late, however, NAFTA has come under attack. In the 2008 Democratic Presidential Primary race, both Barack Obama and Hillary Clinton criticized NAFTA—calling it unfair and blaming it for the loss of 1,000,000 American jobs (Halperin, 2010). History and statistics have shown though, that free trade benefits participating countries, and while millions of jobs may have been lost since its signing in 1994, one could argue that NAFTA was partially responsible for the approximately 14 million jobs created between 1994 and 2008 (Bureau of Labor Statistics, 2010b). The signing of NAFTA has been an exceedingly beneficial agreement for the US, Canada, and Mexico, and the increased cooperation and integration of these economies could lead to further mutual benefits.

NAFTA was born out of the Canada-United States Free Trade Agreement. This agreement was in effect from October 4, 1988, until the implementation of NAFTA in 1994. The purpose of the Free Trade Agreement was to remove Canadian – US trade restrictions in order to increase trade between the two counties. The following are the main objectives of the Free Trade Agreement:

1. Eliminate barriers to trade in goods and services between Canada and the United States;
2. Facilitate conditions of fair competition within the free-trade area;
3. Liberalize significantly conditions for investment within this free-trade area;

4. Establish effective procedures for the joint administration of this Agreement and the resolution of disputes; and
5. Lay the foundation for further bilateral and multilateral cooperation to expand and enhance the benefits of this Agreement (The Government of Canada and The Government of the United States, 1988).

With the removal of tariffs and the guarantee of stable access to each other's markets, trade rapidly increased between Canada and the United States upon the implementation of the FTA, nearly tripling since 1989. By 2002, the US received 82% of Canadian exports and Canada received 19% of US exports (Jannol et al., 2003). This represents the largest bilateral trade flow in the world. This has led to a mutual interdependence of both countries. This increased trade kindled efficiency gains brought on by economies of scales allowing both countries to increase their productivity (OECD, 2010).

The success of the Canadian-United States Free Trade Agreement was the foundation of NAFTA, and NAFTA retains a majority of the same provisions that were set up in the FTA, bringing in Mexico as a third trading partner to Canada and the United States. The main objectives were to remove trade barriers to goods, services, and investment among the three countries. This includes a ten-year phase-out of tariffs for most goods and services and a fifteen-year phase-out of agricultural tariffs (NAFI, 2010).

The major critique of NAFTA is that it is bad for workers. Critics in all three countries cite that NAFTA is responsible for job losses and lower wages for its workers (Halperin, 2010). One might wonder, though, how jobs "stolen" from one country and shifted to another would equal net job losses. Despite the claims of worker detriment, the statistics show otherwise. From 1993—the year prior to the signing of NAFTA—to 2007, per capita real GDP has increased in every country. Growth in Mexico over this period was 24.7%, while growth in the United States and Canada were, respectively, 32.6% and 38.9% (Economic Research Service, 2010). Additionally, from the period of 1995 to 2007, unemployment rates decreased in each country by an average of 2.6 percentage points (Laborsta, 2010). These findings imply that NAFTA, in fact, has been beneficial to the citizens of all three countries. In fact, not only did these countries see statistical gains in income and employment, they each experienced gains in the Human Development Index, which is a quality-of-life measure. The United States' score grew by 1.7%, Canada made gains of 2.9%, and Mexico made gains of 6.9% (United Nations Development Programme, 2010).

The United States is the classic example of a free trade union. Its large market of unrestricted trade among states promoted economic growth unimpeded by tariffs and other trade barriers. While it is only the third largest country in terms of both area and population, the United States has the world's largest economy (CIA, 2010b). In fact, the United States' economy is so large, it is nearly three times the size of the Japanese economy—the world's second largest economy (The World Bank, 2009). The North American Trade Agreement is a natural extension of the economic ideals presented by the United States. In terms of land mass, Canada and Mexico are, respectively, the second- and eleventh-largest countries in the world, and similarly to the United States, they are organized into united provinces and states instead of separated into individual countries. Canada and Mexico are the first and third largest trading partners with the US. The reduction of trade barriers allows these three countries to more seamlessly trade with each other, and the more each country trades, the more they are able to specialize in particular industries.

Some may argue against NAFTA on nationalistic grounds, but an expanded trade agreement need not mean the diminishing of one's government. Just as each EU member country and, to a lesser extent, each American state has its own laws, each country in an American union could keep its own laws and government. While the members would be economically integrated, this does not mean that a compromise of moral, political, and cultural values and ideals must be made.

The sheer geographical immensity and economic magnitude of North America may lead many to question the feasibility of a union so large. While the three NAFTA members do hold significant weight in both areas, the physical size is much more manageable than assumed. The area of NAFTA is smaller than that of the former Soviet Union. As well, about 75% of Canadians live within 100 miles of the US border, and nearly 90% live within 125 miles of it (BBC News, 2010). While the population of Mexico is more dispersed, the high concentration of the Canadian population along the US border means that the effective area of NAFTA would be about around 5 million square miles—an area between that of Russia and Canada. As seen in Table 1, the Gross Domestic Product of NAFTA is equally massive at $16.7 trillion or about 27.5% of the world's GDP (The World Bank, 2009). However, with the United States' GDP contributing over $14 trillion, the increase of GDP that Canada and Mexico bring is about 17.5%. A key fact to remember, however, is that, while a North American Union would geographically be the world's largest trade bloc, many issues are simplified by the fact that it holds only three members—Canada, the United States, and Mexico. In contrast, the European Union comprises 27 different members.

In 2007, GDP per capita in the United States was ranked eighth in the world, with all but one of the top seven countries being located in Europe—three of which are EU members (Luxembourg—#1, Ireland—#4, and Denmark—#6) with the remaining three being part of the European Free Trade Association (Norway—#2, Iceland—#3, and Switzerland—#5). The next NAFTA member in line is Canada at 15th on the list, with all European Union members ranking between it and the United States. Mexico comes in at 59th on the list, with no European Union members trailing. Even the newest European Union members of the former Soviet Union place above Mexico (Economic Research Service, 2010).

The European Union is a modern example of a successful trade union. While the EU has roots dating back to the 1940s, it has more recently ripened as its economies and governments have become closer more and intertwined with each other. In 1992, with the signing of the Maastricht Treaty on European Union, the European Community transformed into what we now know as the European Union (Europa, 2007e). This has changed the focus of the EU from a mere common market to a fully integrated economic and political union. It has brought on the beginnings of monetary union as well as set up the structure for a broader, overarching government body. The success of the EU reveals a number of key ideas which would greatly benefit the North American economies if they were to be implemented into a North American Union. These ideas include a total removal of tariffs and steps to eliminate non-tariff barriers, a common currency, free movement of labor, and an expansion of the union. While these ideas may seem extreme to the average American and a far reach from the current trade agreement, they are a natural and beneficial progression from a successful trade union.

Just as an expansion of the EU has begun to include some of the smaller and poorer countries of Eastern Europe, an expansion of NAFTA to include those countries in the Caribbean Basin could also be beneficial. A trade agreement similar to the proposed Free Trade Area of the Americas would not only benefit the United States, but it would also provide increased trade opportunities for poorer Central American countries. As demonstrated in post-NAFTA trading patterns, the United States could further shift away from industrialized jobs and more towards the service sector, and the Central American and Caribbean countries would be given the opportunity to expand jobs in their manufacturing sectors. A key benefit for the United States is that, as the earnings of its Central American neighbors grow, the US will be able to export more and more goods and services to these regions.

The Evolution of the European Union and its Applicability to a North American Union

The earliest predecessor of the European Union came into being with the signing of the Treaty of Brussels. On March 12, 1948, the United Kingdom, France, Belgium, Luxembourg, and the Netherlands signed the Treaty of Brussels largely as a defense treaty. The aim was to provide mutual protection from military aggressors—specifically, a resurgent Germany, and later, the threat of the Soviet Union. Along with the goal of defense, the Treaty of Brussels also promoted economic cooperation among the Western European countries in order to spur economic recovery from the war. The treaty called for organization and coordination of economic activity so as to "produce the best possible results, by the elimination of conflict in their economic policies, the co-ordination of production and the development of commercial exchanges" (Western European Union, Article I, 1948). In addition, the treaty also stated goals of improving standards of living, introducing social programs, and creating intercultural exchanges. Finally, the treaty provided instructions for managing disputes and keeping peace—looking to preemptively stem any conflict like that which had just ravaged the entire continent. The Treaty of Brussels took the first big step towards union with the knowledge that integration—specifically economic integration—is an immense deterrent to war (Western European Union, 1948).

The beginnings of NAFTA were much simpler than those of the EU. NAFTA began as the Canada – United States Free Trade Agreement and it was simply that—a free trade agreement (The Government of Canada and The Government of the United States, 1988). While it was necessary in Europe to form an alliance as a deterrent to war, there was no such need in North America, as the most recent conflicts the United States had with either of its North American neighbors were the Mexican-American War, which ended in 1848, and the War of 1812, which ended in 1815 and was more of a war with the United Kingdom than a war with Canada. Additionally, there was no explicit declaration in the Canada – United States Free Trade Agreement establishing goals of intercultural exchanges or improved social programs. The Canada – United States Free Trade Agreement merely served to promote the already close economic ties shared between Canada and the United States.

The Treaty of Paris furthered the integration seen in the Treaty of Brussels. About three years after the Brussels Treaty, the Treaty of Paris was signed—on April 18, 1951. It established the European Coal and Steel Community (ECSC) between the countries of France, Belgium, the Netherlands, Luxembourg, West Germany, and Italy. The aim of the European Coal and Steel Community was to prevent future wars among Western European countries through economic incentives. This community created a common market among the member countries for the trade of goods of coal and steel. One of the founders of this agreement—French foreign minister Robert Schuman—wrote, "The solidarity in production thus established will make it plain that any war between France and Germany becomes not merely unthinkable, but materially impossible" (Schuman, 1950). Through trade liberalization of two of the key resources of World War II, Western Europe achieved the goal of gaining both economic as well as political stability. The ECSC was in fact the first organization formed around the idea of Supranationalism—an organization formed by multiple nations whereby member states cede power to an independent governing body. In the case of the ESCS, the governing body was the "High Authority." With the formation of the European Coal and Steel Community and its High Authority, Western Europe displayed its first signs of forming a wide-stretching supranational government.

Through the establishment of the ESCS, the European Union not only took a large step towards economic integration, but it also laid a foundation for a closer political relationship. The Canada – United States Free Trade Agreement as well as NAFTA both lack any sort or overarching Board or Council. Instead, agreements were negotiated among Presidents and Prime Ministers and passed by Parliaments and Congress (The Government of Canada and The Government of the United States, 1988). Rather than creating a supranational organization where members allocate power to an overseeing committee, NAFTA instead created an international organization in which each individual member maintains its full power and agreements are reached through discussion among members.

The next treaties are the most important treaties demonstrated to date in the history of the European Union. These are the two Treaties of Rome—signed on March 25, 1957, once again between France, Belgium, the Netherlands, Luxembourg, West Germany, and Italy. Furthering the movement of supranationalism shown in the formation of the European Coal and Steel Community, the aim of creating a "Federal Europe" saw further international integration through the Treaties of Rome. The two Treaties of Rome established two very important international European organizations. The first of these communities, formed by the first Treaty of Rome, was the European

Economic Community. The birth of the EEC established a common market, customs union, and formation of common policies in Western Europe among the six participant members (Europa, 2007d). This saw the creation of the pivotal “four freedoms” of the common market—free movement of persons, goods, services, and capital. Through this arrangement, trade barriers in Western Europe were unequivocally smashed. Over a period of 12 years, supranational free trade was created, non-tariff barriers were reduced, and “a harmonious development of economic activities, a continuous and balanced expansion, an increase in stability, an accelerated raising of the standard of living and closer relations between the states belonging to it” was seen (Europa 2007d).

However, the common market was not the only advantage demonstrated by the EEC. The second key point of the EEC was its creation of a customs union. Removing quotas, tariffs, and customs duties among members and establishing a unilateral external tariff, the EEC served to greatly eliminate the barriers to trade among its members states. The customs union also saw an accompanying common trade policy wherein member states yielded power to the Community (Europa, 2007d). This common trade policy is what distinguishes the EEC as a customs union rather than a simple free-trade association. Finally, the EEC sought the convergence of policies of member states. The Treaty developed the common agriculture policy, common trade policy, and transport policy as well as set up provisions for the formation of future policy standardization.

Next, the Treaties of Rome formed another supranational community—the European Atomic Energy Community (Europa, 2007c). In order to move away from reliance on coal and oil, the Common Assembly proposed the development of joint nuclear research in Europe. As World War II had sparked great interest in the field of atomic research, Euratom was formed with the aim of sharing the cost of a nuclear research program and of distributing knowledge of nuclear power among member states. Along with this goal, Euratom established high standards of safety as well as provisions that nuclear materials be used only for peaceful civil purposes; no nuclear materials were to be diverted to military purposes. Euratom sought to reduce reliance on foreign energy sources by ensuring a supply of energy among member countries while allowing surplus to be sold to non-members (Europa, 2007c). With the formation of the European Economic Community and the European Atomic Energy Community, the Treaties of Rome brought Europe a great deal closer to the level of integration shown in the modern European Union.

The union formed at the time of the two Treaties of Rome is probably most similar to NAFTA than at any other point in the European Union's history. However, there still exist several important differences. For the most part, NAFTA has served to remove customs, tariffs, and barriers to trade among Canada, Mexico, and the United States. However, certain agricultural tariffs between the United States and Mexico were maintained for a period of 15 years (USDA, 2009). Movements of goods and services among the North American members saw a significant boost after NAFTA's implementation. However, unlike the European Union, there still exist strong restrictions on labor movement among NAFTA members. While the European Economic Community allows any citizen of any member country to work in any occupation in any member country, citizens of NAFTA members still require special permission to be allowed to work in a fellow member country. Trade NAFTA Status, or TN Status, was created through NAFTA to allow citizens of Canada, Mexico, and the United States to work in each other's countries in certain professional occupations (U.S. Department of State, 2010). Having TN Status allows a person to work for up to three years in a neighbor country with repeated opportunities for renewal. In order to receive TN status, an individual must already hold a job offer for one of a number of select occupations from an employer in the receiving country. Additionally, based on this offer, the individual must also satisfy a specific set of education and experience credentials. Additionally, a fee is assessed upon the granting of TN status. This is distinctly different from the free movement of labor exhibited in the European Economic Community. Beyond the qualifications that must be satisfied, the abstruse and bureaucratic process required serves as a deterrent to many professionals who might otherwise wish to join a participating country's labor force (U.S. Department of State, 2010).

Eight years after the Treaties of Rome, April 8, 1965, saw the signing of what many believe to be the treaty that signified the real beginning of the European Union. The Merger Treaty was signed in Brussels by the six countries of France, the Netherlands, Belgium, Luxembourg, West Germany, and Italy. While the Merger Treaty might at first appear to be a relatively insignificant event, the underlying trend it signified is central to the path towards a Western European union. The Merger Treaty combined the three previously formed supranational committees into one body (Europa, 2007d). The governing bodies of the European Coal and Steel Community, the European Atomic Energy Community, and the European Economic Community were fused into one institution. As the EEC had become the dominant and most important community, its Council and Commission became responsible for all three communities—now known collectively as the European Communities. Combining these three councils into one had tremendous political implications. It showed that the relationship between the six participating member states was not merely focused on self benefit through the use of treaties and agreements but that the attitude was of further integration and cooperation.

The EU's Merger Treaty has no real parallel with NAFTA. The Merger Treaty was implemented because a number of treaties, agreements, and organizations had been formed within a cooperative Europe. The efficiency of one combined and simplified treaty was imperative to the progress of the EU. However, with NAFTA being both narrower in scope and fully planned before the signing of the agreement, no reconciliation process was required. The most similar event in NAFTA's history would be the combining of the Canadian-United States Free Trade Agreement with the prior trade agreements between Canada, Mexico, and the United States into NAFTA. This, however, was quite different than merging three communities with common members into one.

The next step towards integration of the European countries was not seen for another twenty years; however, it was a very important step. The Single European Act (SEA) was signed in Luxembourg on February 28, 1986—this time by the expanded twelve member states of Belgium, Denmark, West Germany, Greece, Spain, France, Ireland, Italy, Luxembourg, the Netherlands, Portugal, and the United Kingdom. Revising the Treaties of Rome in order to more effectively establish free trade, the Single European Act sought to implement changes in order to form a true European free market (Europa, 2007b). The existing policies had left the members at an impasse where the completion of an internal market was stalled by the decision making process of the Council where unanimity was required in many cases. This was counteracted through the

SEA's expanding the powers of the Community and creating common foreign and security policies. The SEA allowed the Council to now take greater action on the basis of a majority vote versus the previously required unanimous vote. In doing this, the SEA allowed trade to be further liberalized and created a true common market among the twelve member countries (Europa, 2007b). The importance of the SEA is twofold—it shows the expansion of cooperation and integration to six additional countries, and it eliminates obstacles which had prevented the goal of a single market.

The Single European Act also saw the formalization of another important component of the European Union—the European Political Cooperation (EPC) (European Navigator, 2010). After various attempts since the '60s at cooperation on political matters, the SEA made political cooperation between the European member states official. This was instrumental in converging the foreign policies of the twelve participating nations—including political and economic domains while refraining from formalizing a unified defense. While there was no official standard, the EPC suggested that the twelve members should consult one another in order to create more common policies (European Navigator, 2010). The EPC was very significant in that it was a wide-reaching and official agreement among the twelve countries which was not centered on economic aspects. Rather than restricting their cooperation to economic liberalization alone, the twelve members expanded their integration into the political domain of a common foreign policy.

With the signing of the Single European Act, the paths of NAFTA and the EU begin to differ significantly. While the European Union had established a Council to make decisions, the only governor of NAFTA is the agreement itself. While there is room for negotiation between heads of member countries and the possibility of future amendments or expansions to the agreement, there is no body to cover day-to-day disputes (USDA, 2009). Members must abide by the letter of the law written in the agreement. While the EU's system of a council provides a much more adaptable and open method of conducting and advancing trade and integration, the system set up by NAFTA is strict and serves to stifle unification and conciliation. In addition, the Single European Act took a major step towards completing a true common market among member states. NAFTA is still very much a free trade area and not a customs union or a common market. While the European members once existed as partners in a free trade area, the signing of the Single European Act saw true dedication towards forming a single market (Europa, 2007b). The difference is that, while the scope of NAFTA is limited to the reduction of tariffs and other trade barriers among countries, the single market of the EU furthers this goal by also implementing such practices as free movement of labor, standardization of laws, and the formation of other common policies. Furthermore, the SEA shows a developing political ambition in the European Union. Not only desiring to form closer economic bonds, the European Political Cooperation was formed to foster closer political integration. This is very different from the position of NAFTA. While similarities in policies already exist among Canada, Mexico, and the United States, NAFTA contains no provision for political integration. It is purely focused on the economies of the three member countries.

Perhaps the most important treaty is what followed. The Treaty on European Union—or more commonly, the Maastricht Treaty—officialized the formation of the European Union. It was signed on February 7, 1992, by the same twelve previous signatories, however, with a now-unified Germany. This carried with it five central tenets—to establish an economic and monetary union; to establish a common foreign and security policy including a common defense policy; to establish Union citizenship in order to protect the rights and interests of its citizens; to establish cooperation on justice and home affairs; and to maintain and build upon the policies and cooperation in order to ensure the effectiveness of the institutions (European Communities, 1992). The addition to these objectives, it created what is known as the three pillars of the European Union. These pillars are as follows:

- European Communities—encompassing the economic, social, and environmental aspects of the EU
- Common Foreign and Security Policy—focusing on common foreign and security policy
- Police and Judicial Cooperation in Criminal Matters—concerning cooperation in legal and criminal matters (Europa, 2007e)

The most significant changes brought by the Maastricht Treaty were those of monetary and political unions. While the community's economic interests were still central, the Maastricht Treaty is the largest step thus far towards political union. This involved further convergence of foreign and security policies as well as international judicial and legal cooperation. The Maastricht treaty also made a number of social provisions with aims to promote employment, improve standards of living, and provide social welfare. Perhaps the most significant political advancement of the Maastricht Treaty was the creation of a European Union citizenship (Europa, 2007e). This was granted to all citizens of member countries and allowed them the right to move freely and live in any member country. The Economic and Monetary Union established by the Maastricht Treaty completes the full integration of the Union members' economies into a single market with coordinated economic policies and financial and budgetary restrictions. The EMU's next economic undertaking was to establish a currency union through a three-stage implementation of a single currency and a Central European Bank, which would take place over the next seven years.

At this point, with the signing of the Maastricht Treaty, the differences between the EU and NAFTA are quite great. While NAFTA is very similar to the Europe of the mid 20th century, it has remained undeveloped for over 15 years. The Maastricht Treaty was a large step for the European Union, and it would be an equally large step for North America if NAFTA members were willing to follow the same path. The Maastricht Treaty shows another move towards political integration—something that has been absent among NAFTA members. The foundation of the EMU brings about a very important issue for NAFTA—the idea of a common currency. While ideas of a North American Dollar or the "Amero" have been circulated, as of now, there is no real political movement to form a currency union among Canada, Mexico, and the United States. If a currency union were to form among NAFTA members, it would be beneficial to first follow steps of further integration like those that were demonstrated through the development of the European Union from the mid 1900's until the 1990's when currency union was initiated.

Less than five years later, the Treaty of Amsterdam amending the Treaty of the European Union was signed on October 2, 1997 by the twelve signatories of the Maastricht Treaty, as well as the countries of Austria, Finland, and Sweden—forming the

EU-15. After numerous commissions, consultations, and negotiations, the EU members decided to revise the Maastricht Treaty in order to better fit the new and future aspirations of the Union. The Treaty of Amsterdam made few drastic changes but rather finely tuned a wide number of issues central to the proper functioning of the Union (European Communities, 1997). However, the Treaty of Amsterdam was mainly concerned with the four topics of freedom and security, civic rights, foreign policy, and the strengthening of the European Parliament. The treaty gave the European Union more power in deciding civil procedures in order to ease the free movement of persons. The Schengen Agreement—a previously established treaty removing border controls between participating members—was officially integrated into the EU through the Treaty of Amsterdam.

The Treaty of Amsterdam and the Schengen Agreement show further divergence between NAFTA and the EU. The Treaty of Amsterdam provided further freedoms and ease to allowing free movement of labor as well as strengthening other liberties of the common EU political policies. The Schengen agreement made cross-border movement even simpler through removing the need to go through border security between most EU member countries. Among NAFTA members, movement is still very restricted. Canadians and Mexicans coming to the United States have few advantages over citizens of other countries traveling to the United States (U.S. Department of State, 2010). Particularly in the post September 11th United States, border security is increasingly overbearing. Entry requirements, border control, visa attainment, and other issues involving passage are strict, rigorous, and prolonged. NAFTA members have considerable room for change and improvement when it comes to emulating the border openness demonstrated in the EU and Schengen members—the most important of which would be the free movement of labor among NAFTA members.

The current penultimate treaty of the European Union was the Treaty of Nice which was signed on February 26, 2001 by the same fifteen signatories of the Treaty of Amsterdam. This treaty was written entirely to clarify political matters. The expansion of the number of member countries had led to disagreements about the Qualified Majority Voting system that was in place (Europa, 2008). This was the mechanism by which different EU countries held different degrees of power in the Council when voting on issues that would affect the EU as a whole. Because of this, the first issue addressed by this treaty was the matter of voting weights. Ultimately an agreement was reached in which Countil proposals must be supported by a majority of the member countries as well as 255 out of 345 votes which were roughly allocated according to the population of each country (Europa, 2008). The Treaty of Nice is often seen as a treaty which made a number of small, technical adjustments rather than implementing large, sweeping policies. However, it was instrumental in establishing and clarifying a balance of power. Much like the United States has a Congress dually composed of the House of Representatives—distributed by population, and the Senate—distributed by state—the Treaty of Nice shows that the European Union also saw the importance of the voice of the population as well as the importance of each individual state.

Because NAFTA has no real political union, it has no clear parallel to the Treaty of Nice. However, the Treaty of Nice does show clear ties with the United States of America and its system of checks and balances. In the EU, votes passed must represent both a percentage of population as well as a percentage of member countries. This is embodied in a single voting council, but the idea of representing both the population as well as individual member states is reminiscent of the United States Congress (Europa, 2008). If a North American Union were to be formed, the balance of power would be a very pivotal issue. The United States population is more than twice the combined populations of Canada and Mexico. Additionally, the United States GDP is more than five times the combined GDP of Canada and Mexico (The World Bank, 2009). However, Canada is over 100 million km^2 larger than the United States, and Mexico is roughly one fifth the size of the US. Striking the proper balance of power would be very sensitive in this situation. It is likely that Canada and Mexico would not approve surrendering their voices to the United States because of its larger population and economy. However, for the United States to concede some of its power to Mexico and Canada could cause a damaging and complex situation. Ultimately this is a problem that would have to be addressed if the situation for political union ever arises. However, the European Union Council serves, at the very least, as a beneficial source for consideration.

After the Treaty of Nice but before the most recent EU treaty came an important event in the history of the European Union—the full introduction of the Euro. The Maastricht Treaty outlined the goal of a currency union when it was signed in 1992. Over the next ten years, steps were taken to closer align the economies of the participating member states, and a single currency was ultimately introduced in 1999 (Europa, 2010c). However, a European currency union had been in the works for years longer. In 1979, the European Monetary System (EMS)—the predecessor of the modern Euro—was created. It was formed as a replacement for the previous failed Bretton Woods System. The objective of the EMS was to prevent large exchange rate fluctuations among the participating European member states by linking their currencies together.

The EMS created the European Currency Unit (ECU) which was to be a basket of member states' currencies fixed to each participating currency with fluctuations no more than 2.25%, or 6% for Italy. In 1998, the European Central Bank was established in Frankfurt, Germany as the independent administrative body of the Eurozone, and the successor to the ECU—the Euro, was officially introduced on January 1, 1999 (Europa, 2010c). While the Euro came into existence at this time, there were no bank notes in circulation. However, the symbolic currency of the ECU and the currencies of future Eurozone members were pegged to the Euro at this time. In 2002, the Euro was finally introduced in bank note form, and the former currencies of all participating members were slowly phased out. In order to participate in the Euro, potential members had to fulfill a set of strict criteria—a budget deficit less than 3% of GDP, a debt ratio of less than 60% of GDP, inflation no more than 1.5 percentage points higher than the average of the three countries with lowest inflation, and interest rates no more than 2 percentage points higher than that of the three members with lowest inflation (Europa, 2010c).

The introduction of the Euro currently has no parallel to NAFTA. Currency union, if it ever happens, is many steps away from the current manifestation of NAFTA. However, it does have a clear connection to one currency union—that of the United States of America. The United States took many years to form a true and successful monetary union. From the consolidation of colonial currencies to the reconciliation of Union and Confederate currencies after the Civil War to the passing of the Federal Reserve Act in 1913, there were many attempts at creating and sustaining a monetary union in the United States (Bordo, 2004). However, in all these instances, each state was granted membership in the currency union without a need to satisfy budgetary and inflationary requirements. In debating the creation a North American common currency, this would be an important issue to cover. It is quite possible that no participation requirements were needed in the United States as the states' economies had already reached a high degree of economic integration prior to union. This, however, was not the case with the European Union and the Euro (Europa, 2010c). If economic integration and convergence are the relevant measures, then a thorough analysis would have to be taken on the degree of integration among the economies of Canada, Mexico, and the United States before a currency union could be proposed. Once this is understood, only then could the benefits and guidelines for a currency union be properly studied. For a potential future North American currency union, it would be very beneficial to consider both the history of the United States dollar as well as the European Union's Euro.

The year 2004 saw another significant event in the European Union—the enlargement to include ten new countries—eight of which were either Eastern European or former Soviet Bloc countries. Prior to this period, there had been a number of incremental enlargements to the European Union. However, after the foundation of the Inner Six until the 2004 enlargement, no more than three countries at a time joined the EU (Europa, 2007a). Additionally, these countries were all relatively wealthy and similar Western European countries. The 2004 ascension of the countries of Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, and Slovenia was a significant milestone in the expansion of the EU. In terms of area and population, this was the single largest expansion in the history of the EU. With this enlargement, the economic and political benefits of the original European Union members were shared with their Eastern neighbors. The criteria for ascension mandated that every new country joining the EU must be located in Europe; uphold values of liberty, democracy, and human rights and freedoms; have a competitive market economy; and be able to undertake political, economic, and monetary union (Europa, 2007a).

The goal of fulfilling these criteria significantly stimulated the economic and political liberalization in these mostly former communist and economically stagnant countries. However, despite the economic and political advances seen in these countries, many original EU members were hesitant about the ascension. Although free movement of people and workers were fundamental rights of all EU members, including those newly ascended, fears of mass movement created worries among many countries, and some restrictions were put in place (Europa, 2007a). Each country was allowed to decide upon the amount of constraint it desired to impose, and this ranged from no restrictions at all in such countries as Ireland and Sweden to implementing quotas on the number of Eastern European workers allowed to immigrate to such countries as Portugal, to employing work permit requirements in such countries as Finland and Denmark. Where limits were applied, they ranged from two years up to seven years, with 2011 being the deadline to abolish all restrictions (Europa, 2007a). Six years later, the EU enlargement is seen as a success. As immigration, labor markets, and capital stock have been able to adjust, both original and new Union members have experienced significant benefits since the expansion—not the least of which is increased GDP per capita (Barrell et al., 2007).

Another, smaller expansion eastward has been seen since 2004. In 2007, both Romania and Bulgaria ascended to the European Union. Because of the much smaller population and land area involved, this was a much simpler transition than that of the 2004 expansion. However, there still existed an amount of opposition which prompted some countries to impose work restrictions on Romanians and Bulgarians similar to those restrictions imposed during the 2004 enlargement (Europa, 2010b). Roughly half of the EU members imposed restrictions requiring Romanians and Bulgarians to obtain work permits. The aspiration to join the EU caused these two countries to implement a considerable number of democratic processes. These reforms included expanding personal freedoms, advancing free-market economies, and eliminating administrative corruption (Europa, 2010b). However, the expansion will not end with Romania and Bulgaria. Entry to the European Union is open to any European country able to satisfy certain criteria. Currently, there are three candidates for membership—Croatia, Macedonia, and Turkey. Additionally, there are four other countries which have submitted applications for membership—Albania, Iceland, Montenegro, and Serbia. It is also likely that the remaining Balkan countries such as Macedonia and Bosnia and Herzegovina will at some point seek membership (Europa, 2010d). Within Western Europe, Norway and Switzerland are both fairly integrated within the EU through various agreements such as their participation in the Council of Europe and the Schengen Area. However, the both have present economic and political reasons for abstaining from ascension. In the far east of Europe, the Eastern Partnership has been created by the EU to facilitate growth, trade, and integration among Far Eastern European countries of Armenia, Azerbaijan, Belarus, Georgia, Moldova, and Ukraine with a possible goal of one day joining the EU (Europa, 2010a). Taking all this into account, it would not be surprising to one day see a European Union that extended as far west as Iceland and as far east as Azerbaijan.

The expansion of the European Union shares a number of parallels with NAFTA. First, one can look at the United States, which has gone through a number of expansions and changes in the last 200 years. What began as 13 separate colonies has developed into a union of 50 states (Stein, 2008). The growth of this union encountered many issues of power. Unlike the peaceful formation and expansion of the European Union, the United States did not always expand in harmony. Many conflicts took place over ownership of land. This history is very important to keep in mind when contemplating an expansion of NAFTA. NAFTA itself was an expansion of the Canada – United States Free Trade Agreement. The addition of Mexico to this union formed the North American Free Trade Agreement. Mexico emulates very well many of the characteristics of the newer Eastern Europe EU members—principally its relative poverty as compared to the other members. In fact, in terms of GDP per capita, Mexico is even poorer than each of the Eastern European EU members (The World Bank, 2009). This brings up concerns of wage deflation in the United States and Canada. However, since the implementation of NAFTA, this has not been the case as per capita GDPs in Canada, the United States, and Mexio have risen significantly (Economic Research Service, 2010). Another implication that the EU expansion has for NAFTA is the idea of expanding and including Central American and Caribbean countries in NAFTA. Trade unions such as the Dominican Republic – Central American Trade Union and the Caribbean Community already exist in the area. Additionally, the members of NAFTA each have various trade agreements with countries in this region. The case for Chile joining NAFTA is especially strong since trade agreements are already in place between Chile and NAFTA members, and talks of Chile joining NAFTA date back to at least 1994 (NAFI, 2010). It would seem, then, that expanding NAFTA to include some, if not all, the countries encompassed in this area would be a natural step in its progression. Despite the inherent differences between the Europe and the Americas, an analysis of the European Union's expansion would be of significant benefit to any NAFTA expansion.

The final and most recent European Union treaty is the Lisbon Treaty. The Treaty was signed by representatives of 27 European Union members on December 13, 2007. Before the treaty could become law, each participating country was required to ratify the treaty (Europa, 2010e). The ratification went smoothly at the outset. However, the process encountered a setback in initial Irish rejection of the treaty in June of 2008. The opposition was largely due to anti-EU sentiment among the Irish as well as a number of ambiguous clauses present in the Treaty. In October of 2009, a second referendum was held in which the Irish ratified the Treaty of Lisbon.

Nevertheless, after the Irish ratification, there remained one more setback. Despite passing in both houses of the Czech parliament, the Czech President, Václav Klaus, refused to support the treaty until an opt-out was negotiated involving property rights of German families expelled from the Czech Republic during World War II. Ultimately, this was negotiated, and the Czech Republic ratified the treaty—allowing it to enter into law on December 1, 2009 (Europa, 2010e).

Given the ascension of the ten new EU members in 2004, there was a consensus to adjust the structure of the EU. The Treaty of Lisbon was created to amend the former European Union treaties and provide a framework to meet the future needs of European

Union citizens. The Treaty of Lisbon involved changes in four major areas. The first goal was to increase the democracy of the EU. This was established by expanding the power of the European Parliament, which is composed of citizen-elected representatives—raising its power to equality with the European Council. As well, rights were expanded for national parliaments in order to strengthen democracy at a national level (Europa, 2010e). Next, in order to expedite and streamline the voting of new policies, the Council further expanded the areas in which to utilize qualified majority voting. Through this practice, legislation was passed if it had the support of at least 55% of Parliament members representing at least 65% of the EU population. Additionally, the position of President of the European Council was created in order to coordinate administrative tasks of the Council and provide an international face for the Union. Importantly, an exit clause was also written for the first time detailing the possibility for members to leave the Union (Europa, 2010e).

Another area covered by the Lisbon Treaty is that of expanding the rights and freedoms of Union members. The political, economic, and social freedoms of all EU citizens were reinforced, including the four freedoms of goods, capital, service, and personal movement. Additionally, provisions such as expanded security and public health services were added through the Treaty (Europa, 2010e). Finally, the Treaty of Lisbon serves to promote European Union interest internationally. Utilizing the EU's political and economic strengths, the Lisbon Treaty provided a singular public relations figure through the newly-created position of High Representative. This position serves to concentrate the influence and improve the negotiating power of the EU as a whole (Europa, 2010e).

Again, the European Union forges its path towards closer political union with the Lisbon Treaty. Although this position of the EU is many steps removed from the current state of NAFTA, it is important to note the methods and effects of the EU regarding the Lisbon Treaty. Not only does the Lisbon Treaty serve to balance the power between European Union member countries, but it also serves to advance the presence of the EU internationally (Europa, 2010e). Through the formation of two figurehead positions, the EU puts a face on the conglomeration of its many members. While the formation of any committee is still removed from the present situation of NAFTA, a figurehead position is even further removed in terms of implementation. However, the EU does draw parallels to the United States with its federal and state governments.

The European Union is increasingly becoming more like a United States of Europe than a collection of individual countries. While each EU country has considerably more independence than any American state, it is notable to draw a comparison between the two. The European Union Council and Presidency are closely related to the Federal government of the United States. On the other hand, individual countries' Presidents, Prime Ministers, and other heads of state, while considerably more powerful than state governors, are beginning to become much more similar to them. As supranationalism requires countries to relinquish more and more power to grant higher authority to the community, each individual country becomes less significant while the community is strengthened. It is likely that if such a situation were to arise in a North American Union, it would not go down the path chosen by the European Union. It is an important factor to consider for the possibility of future integration. However, the dominance of the United

States as well as the independent viewpoints of all NAFTA members would likely limit any possible higher figurehead unless a serious compromise was found.

The Formation of a North American Union

Now that the progression of the European Union and its implications for a North American Union have been shown, it is time to identify the steps NAFTA could take towards forming such a union and the effects that would have on the member countries. The first of these steps would be a closer economic integration—moving from a free trade agreement to a customs union. Secondly, a broadening of the freely traded goods and services by including those currently left out of NAFTA would be implemented. Additionally, an expansion of the liberties given to workers would be assessed. True free movement of labor would allow workers in one NAFTA member country to work, unrestricted, in any other member country. Next, a currency union would form a common currency to be used by all NAFTA members. An expansion of NAFTA to incorporate additional members such as Central American and Caribbean countries would be the subsequent step in the process, and finally, an analysis of political integration would be the ultimate phase of forming a North American Union.

The first issue of importance is the difference of economic integration between NAFTA and the European Union. NAFTA is a free trade area while the European Union is an economic and monetary union. The next phase of NAFTA would be to move from a free trade area to a customs union. While a free trade area restricts trade barriers between countries, it still allows each country to maintain individual customs controls. However, with a movement to a customs union, all external trade restrictions are shared among the participating parties (Mussa, 2000). A single external trade policy is followed which establishes a common tariff, quota, and tax structure which are observed by each member.

This puts all members on an equal level in comparison to all non-participating countries. It encourages a preference for increased trade between customs union partners while minimizing a need for external trade, and it fosters increased interdependence among members. One reason to pursue a customs union is to develop closer economic integration with union members (Suranovic, 1998). Reducing all barriers to trade and keeping all external factors equal among countries gives an incentive for members to increase trade with each other. As members trade more, each becomes more reliant on the other partners for its own economic growth. Additionally, a customs union creates economic efficiency by increasing competition among countries. As each country is on an equal footing without any confounding tariffs or trade barriers, industries must become more resourceful in order to contend with the larger market. This ultimately drives each country to specialize in the fields of its comparative advantage in order to perform most effectively. As all countries transition to their comparative advantages, overall output and consumption are able to increase, and society as a whole prospers.

Moving forward further, there have been a number of issues fundamental to a free trade area which were absent in NAFTA until about two years ago. In order for NAFTA to continue towards a customs union, there must truly be free trade of all goods and services among NAFTA members. However, under the prior agreement, tariffs on agricultural goods remained for up to 15 years while tariffs on all other goods were phased out within ten years. This, the largest trade barrier remaining among NAFTA partners, was a large obstacle to free trade in North America (USDA, 2009). Since the elimination of this barrier, trade has increased even more. While the elongation of the trade barrier removal was meant to allow industries to restructure and reorganize, it is possible that earlier elimination of agricultural trade restrictions could have benefited NAFTA members.

While all tariffs and quotas are now removed among NAFTA members, there still exist a few areas in which NAFTA members do not cooperate in a fair and competitive market. The first of these issues is the Canadian Wheat Board. In this case, the Canadian Wheat Board provides subsidies to certain Canadian wheat and barley producers. Additionally, it acts as the only buyer for wheat and barley grown by these producers and does not allow American or Mexican producers to sell and compete in this market (Zahnister et al., 2009). Another issue criticized of unfair market practices is the United States' promotion of biofuel production. It is argued that in promoting an increase of biofuel, the United States is driving up prices of biofuel inputs in NAFTA member markets since around 2006. For example, one analysis estimates price increases of corn at 9% between 2006 and 2007 and at 18% between 2007 and 2008. Additionally, the same analysis estimates a 3% price increase in soybeans between 2006 and 2007 as well as a 21% increase between 2007 and 2008 (Zahnister et al., 2009). Furthermore, there is additional criticism of the United States and its agricultural subsidies, which have seen retaliation through Mexican support of various agricultural products. These subsidies are accused of driving down market prices and creating an unfair advantage for producers of the countries with these price supports (Zahnister et al., 2009). In order for NAFTA to truly have a fair, competitive, and open free trade area, national policies such as the Canadian Wheat Board and the United States' agricultural subsidies must be altered.

The next issue to be tackled by NAFTA is that of free movement of labor. While the implementation of NAFTA did not completely ignore the topic of increased labor mobility, it did little in real terms to facilitate much ease in the area. Whereas, for example, within the United States or the European Union, each citizen can work, in any state or member country, NAFTA does not have a similar arrangement granting full work rights to citizens of all member countries (U.S. Department of State, 2010). Free movement of labor is a logical next step in pursuing free trade among countries. Just as goods and services are traded across borders—increasing competition and encouraging efficiency—free movement of labor allows both workers and employers to benefit as personnel resources can be efficiently allocated in different areas. If for example, the United States is in great need of botanists while the botany market is oversaturated in Canada, free movement of labor would allow excess American botanists to work in Canada without any visa or immigration restrictions. This would facilitate both market wage equalization in each country as well as a balanced labor force—reducing the inefficiencies of overcrowded or deficient markets. However, immigration laws do much to stall this market equalization.

Currently, NAFTA allows for citizens to work in other member countries under very strict conditions. Specific requirements must be fulfilled in order to obtain permission to work in a fellow NAFTA member country. These restrictions are based on both education and occupation (U.S. Department of State, 2010). On the surface, some might see this as a smart decision—allowing educated and productive individuals of a neighbor country to work in one's country, while restricting those unskilled workers could lead to an overall, higher-skilled labor force. However, competition is necessary in both high-skilled and low-skilled labor. Additionally, if these restrictions were shared among countries, highly skilled workers would be allowed the opportunity to leave while restricting low-skilled workers' mobility. This could have a negative effect where a disproportionate amount of a country's workers are low-skilled. Still, the bureaucratic and tedious process of applying for a work permit in a neighboring country—even if one has all necessary qualifications—is an economic inefficiency which is likely enough to dissuade many individuals from seeking or even considering work in a fellow NAFTA member country.

Just as breaking down trade barriers and allowing free trade causes countries to specialize, thus improving overall output and welfare, allowing for the free movement of labor should further the goal of specialization as well. Through allowing countries to maximize their labor force in their most efficient and competitive industries and minimize the amount of their labor force in other, less competitive industries, countries with cooperative labor mobility should be able to achieve overall more productive and efficient economies.

Looking at the states individually, there is not one overarching industry which is prevalent within each state (U.S. Census Bureau, 2005). Instead, different states have their own areas of specialization. For example, the Midwest is very profitable in farming, and Silicon Valley is a hub of technology. The entertainment industry is big in California, and financial services are synonymous with New York. Many of the United States' specialized industries are mostly encompassed in a small geographical location, and it is because of the free movement of labor within the United States that these industries are able to build their economies of scale and become as competitive as they are. Without free movement of labor in the United States, a gifted farmer from New Jersey or a talented actor from Nebraska might see their knowledge and skills go to waste as they attempt to utilize their skills in an uncomplementary area or are forced to find another occupation in which they are less competitive. Applying these principles to free movement of labor among countries has similar results. While a financially-minded Mexican could move to Mexico City to pursue a career in banking, it would not yield the same opportunities as if he were to pursue the same career in New York. Similarly, an aspiring movie star from Manitoba could try to pursue a film career in Toronto or Vancouver, but neither location would likely emulate the same results as if he were to move to Los Angeles.

Free movement of labor can help minimize economic downturn by allowing citizens a wider variety of locations to pursue new work opportunities. Even now, during hard economic times, the United States' unemployment rate ranges from 4.0% in North Dakota to 14.1% in Michigan (Bureau of Labor Statistics, 2010a). However, free movement of labor within the United States allows residents of high-unemployment states to move to states with low unemployment without any legal hindrance or difficulty. If this free movement were allowed among NAFTA members, the potential would exist to significantly minimize the effects of unemployment.

The biggest reason most Americans argue against free movement of labor among NAFTA members is the fear of wage deflation and loss of jobs (Halperin, 2010). Many are afraid that lower-skilled Mexicans will flood the labor market of the United States and "steal" American jobs. However, addition of low-skilled Mexicans to the American labor market has already happened to a degree—only without the horrific outcomes that many have feared. Illegal immigration to the United States from Mexico has been in occurrence for many years now. It is true that illegal immigrants drive down wages of low-skilled jobs (Hanson, 2007). However, lowering of these wages also occurs when manual labor is replaced by machines as well as through outsourcing and transitioning resources to other, more productive areas of the economy. In fact, illegal immigrants, on the whole, benefit the American economy by allowing resources to be optimally used (Hanson, 2007). An increasingly educated American population has created a scarcity of individuals willing to perform necessary manual labor, but the illegal immigrant population has appeared to fill that void and allow more efficiency in labor-intensive industries—providing an estimated 0.2% benefit to GDP in terms of business output (Hanson, 2007). Additionally, immigrants both contribute taxes and consume goods within America which is also of benefit to the economy (Edmonson, 1996). If free movement of labor were allowed between the United States and Mexico, it is likely that even more benefits would be seen. By legitimizing immigration for Mexicans, the United States would not only receive a stream of low-educated workers to carry out these duties, but it would also gain more specialized workers who could be valuable assets to our most competitive industries. As Western Europe did not experience detrimental results after allowing Eastern European EU members to work in their countries, it is likely that the United States and Canada would similarly not experience plummeting wages if Mexicans were allowed free movement of labor (Barrell et al., 2007). Instead, benefits of scale, efficiency, specialization, and labor market flexibility would all be likely results of free trade implementation among NAFTA members.

The next stage of closer integration for NAFTA would be that of monetary union. However, it is important to first consider whether or not this would be a viable option. Much like the United Kingdom's decision to opt out of the Euro was based upon economic data, it is also important to look at similar data of NAFTA members when considering a monetary union among them. First, it is important to understand why countries may want to enter monetary union in the first place. Trade between countries is often not quite as simple as trade within countries because of the issues of currencies and exchange rates (Stauffer, 2010). These are counterproductive to international trade as they reduce demand on a number of different levels. Herein lies the major advantage of monetary union—reducing or eliminating these barriers to trade. One of the first things monetary union does is to decrease the risk associated with trading between currencies. As exchange rates fluctuate, prices in other currencies are affected, and even a small change of 1-2% can easily translate into thousands of dollars of differences with large scale purchases (Portone, 2010). Establishing monetary union eliminates the vast majority of price fluctuations and allows consumers to purchase at ease. Knowing that consumers may be more likely to buy their products, local producers can expand their businesses internationally, benefiting themselves, the consumers, and their respective countries. Additionally, the removal of currency exchange fees will allow more money to be spent on desired goods and services rather than being lost to conversion. Prices, then, become lower, more consistent, and more transparent while more choices and substitutes increase trade, benefiting all parties involved.

However, despite the advantages of monetary union, there are inherent drawbacks as well, and each country must individually weigh the positives and negatives. The primary disadvantage of monetary union is loss of monetary policy independence. With monetary unions such as that in the European Union, countries' central banks must give up control over their own monetary policies. Instead, one central bank determines a policy which is then implemented and affects each member country. However, this need not be a bad thing. If countries' business cycles are synchronized, then monetary policy that benefits one country should benefit them all. For example, many countries in the EU correlate highly with Germany in their business cycles and even pegged their currencies to the Deutsch Mark in the past before the introduction of the Euro or the ERM (Baimbridge and Whyman, 2003). Therefore, in the past when Germany needed to take measures of expansionary fiscal policy, for example, this was not detrimental to these other countries. However, not all countries have highly correlated business cycles, and it is in these instances that further analysis and debate of the benefits to monetary union take place.

After an analysis and possible formation of a currency union, the subsequent step in forming a North American Union would be the possible expansion to countries in both Central America and the Caribbean. Much like the European Union has expanded eastward to envelope and benefit many former Soviet Bloc countries, it would likely be of benefit for a North American Union to extend farther south. In fact, the expansion south would be a natural progression of a North American Union because of two points. The first of these is that free trade areas and customs unions have already been established in these geographies, and the second reason is that many trade agreements already exist between NAFTA members and Central America and Caribbean countries.

The Central American Integration System (SICA) and the Caribbean Community (CARICOM) are two separate organizations which have been previously established to foster economic integration and cooperation among many countries in and around the Caribbean Basin. In fact, these two agreements have even higher aims of integration than what is currently demonstrated by NAFTA. The Central American Integration System has already seen some members open up borders, similarly to the Schengen Area. As well, a number of supranational institutions exist such as a Central American Parliament and the Central American Bank for Economic Integration. Of further significance is the formation of a Central American Common Market which has been successful in removing trade barriers among members and standardizing external tariffs (SICA, 2009). CARICOM has also seen a great deal of integration beyond the scope of NAFTA. Currently, there are 12 countries participating in CARICOM's single market with additional members pending approval to join the market. Integration has also been demonstrated by twelve members in creating and utilizing a single common passport. Additionally, further proposals such as freedom of movement, currency union, and political union are being considered by CARICOM as well (CARICOM, 2010).

Trade agreements already exist between NAFTA members and many Central American and Caribbean countries and organizations. For example, the Canada – Costa Rica Free Trade Agreement and the Dominican Republic – Central American Free Trade Agreement are two major trade agreements between NAFTA members (Canada and the United States, respectively) and Central American and Caribbean countries which have set up provisions to drastically reduce trade barriers among participating countries. Ultimately, a combination of these agreements with other such trade agreements and single markets would be a likely progression. In fact, a proposed step in this direction has already been made. The failed Free Trade Area of the Americas would have created a free trade area between many North and South American countries—possibly extending from Canada to Chile (Hills et al., 2004). However, worries that this would be too large of a step prompted instead the formation and expansion of a number of smaller trade agreements. However, economic and political integration in the Americas is continually increasing, and it is not unlikely that in the near future, a Free Trade Area of the Americas could manifest in some form. If this were to happen, and NAFTA were to continue towards full economic integration, it would also follow that other countries in the Americas could see the benefit in joining an enlarged North American Union.

The final stage in creating a North American Union would be full and complete economic integration paired with political integration. This step would need serious consideration as, in essence, it would be more akin to an expansion of the United States than an expansion of NAFTA (Mussa, 2000). Complete economic integration would require monetary union and a single fiscal policy. Each country would become very highly integrated with its neighbors—much like the American states or Canadian provinces. An integration of this sort would be even more extreme than that of the European Union as it would require countries to relinquish a further degree of sovereignty than what has been necessary in the EU. Roles of each country would need to be minimized with the goal of raising an overarching supranational institution. It is unlikely that an integration of this magnitude would ever be reached in North America. It is also unlikely that such integration would ever be necessary. For full integration to be of economic benefit, all members must have closely synchronized economic cycles with similar goals which would allow a singular fiscal policy. As well, political integration is paramount to allow for policy to pass simply and efficiently, and this would also require a merger of governments. Beyond the difficulties in swaying public opinion to support this idea, varying cultural and political ideologies may prevent such a merger from working.

Further integration of NAFTA into a North American Union is a multi-step process which could occur in many different ways. It is likely that a closer union will occur to some degree. However, it is uncertain how far-reaching this may be. It would benefit members to move first to a customs union and then to a single market—allowing such freedoms as free movement of labor and increased liberalization of investment and trade. Closer and more synchronized economies would create the incentive for monetary union. This would reduce further barriers to trade and allow NAFTA members to see additional economic benefits. An expansion of NAFTA or a North American Union to encompass additional members in the Americas would also be of likely benefit. This would continue the gains seen in NAFTA and bring them to additional countries. It would also have the likely benefit of expediting the industrialization and development of less-developed Central American and Caribbean countries.

Moving beyond this stage, politics become the central tenet of progress. An integrated, supranational government may elicit a number of benefits to North American Union members, but the process of forming such a body may require members to sacrifice more sovereignty than citizens believe the agreement is worth. Additionally, it is unknown if the formation of a singular political body would be a judicious decision. However, closer political ties could create efficiencies and lead to benefits of simplified and common fiscal policies.

While a North American Union is probably far removed from most North Americans' minds presently, a progression towards such a union demonstrated in the European Union could bring many benefits to the millions of citizens who live in the Americas. Although such a union faces difficulties of public opinion and politics, perhaps a slow and steady integration could overcome opposition. A full North American Union is a lofty goal and perhaps not a wise decision, but it is certain that a step towards a union is more beneficial than a step away from it. In the 1700's, colonialists could have easily been as critical about the idea of today's United States as many now would be of a North American Union. After 300 years, we can now see that a close economic and political integration and cooperation has led to one of the most prosperous nations in history. Only time will tell if a North American Union takes a similar path.

Table 1

	European Union	NAFTA
Economic Union	Mostly	Partially
Political Union	Partially	None
Free Trade Area	Yes	Yes
Customs Union	Yes	Yes
Single Market	Yes	No
Monetary Union	Yes	No
Free Movement of Labor	Yes	No
Members	27	3
GDP	$16.18 trillion	$16.7 trillion
Area	1,669,807 Sq Mi	8,410,792 Sq Mi
Population	501,259,840	456,416,628

Sources: (Europa, 2010e), (CIA, 2010a), (CIA, 2010b), (USDA, 2008)

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Academic Vita – Austen Talbot

Education:

The Pennsylvania State University—University Park, PA May 2010

Schreyer Honors College
B.S. in Economics, Minors in Psychology and International Studies
Honors Thesis in Economics: An Expansion of NAFTA into a North American Union

University College Dublin—Dublin, Ireland January-May 2009

Courses in European economics, labor economics, economic history, social psychology

Experience:

Simulmedia—New York, NY May-August 2009

Intern

- Independently researched data on television viewing behaviors and industry trends
- Analyzed viewing behaviors to create intuitive statistical models
- Collaborated with teammates to obtain insight into behavioral patterns

Willow Valley Associates—Lancaster, PA May 2004-Present

Busser, Server, Recreation Assistant

- Assumed increased responsibilities as Busser, Junior Server, and Server
- Planned, led, and organized activities for guests
- Participated with coworkers to ensure enjoyable experience for guests

Laboratory for Cognition and Action—University Park, PA January-December 2008

Research Assistant

- Selected as one of principal pair of research assistants leading risk study
- Supervised participants in computerized testing
- Analyzed test data to infer behavioral patterns

Activities:

Penn State University:

- **The Asylum**—*Secretary*, Contact bands, booking agents, university government, and local venues to allocate funds and organize concerts in and around Penn State University
- **Alliance Christian Fellowship**—Member of Bible studies, drummer in worship band
- **English Language Partner**—Tutor international students in English and learn about each other's cultures
- **East Halls Residence Association**—Tener Hall representative and council member

Volunteerism:

- **Johannesburg, South Africa** June 2008
  - Ran children's summer camp in conjunction with local church
- **Ocean Springs, Mississippi** March 2008
  - Repaired damage from Hurricane Katrina
- **Belém, Brazil** June-July 2006
  - Performed community service with missionaries

Awards and Scholarships:

The Phi Beta Kappa Society
The Evan Pugh Scholar Award
Schreyer Ambassador Travel Grant
Dean's List—All Semesters
The President's Freshman Award
Penn State Student Leadership Award

Skills: Computer: Windows OS, MS Office Suite, SPSS, Minitab, Stata, Adobe Photoshop
Professional: Team Leadership, Problem Solving, Critical Thinking, Basic French