



COUNCIL OF THE

Americas

Official Launch of the North American Competitiveness Council (NACC)

**Thursday, June 15, 2006
United States Department of Commerce
Washington, D.C.**

Post-Ministerial Report

U.S. Commerce Secretary Carlos Gutierrez, Mexican Economy Minister Sergio Garcia de Alba and Canadian Minister of Industry Maxime Bernier met on June 15 with North American business leaders to officially launch the North American Competitiveness Council (NACC). Following is an unofficial report of the meeting, action items, and dates to focus on as we move forward.

Key Points by Principal Speakers

Secretary Gutierrez:

- The purpose of this meeting was to institutionalize the North American Security and Prosperity Partnership (SPP) and the NACC, so that the work will continue through changes in administrations.
- The purpose of governments is to create the environment necessary for business to prosper. Thus far NAFTA has worked well, but it can work better – the NACC will help in that endeavor and the governments look to the private sector to tell them what needs to be done.
- In order to work together, the three countries must respect each others sovereignty, but also harmonize regulations and laws when necessary. If regulations and laws cannot be harmonized, they should at a minimum be compatible.

- Further harmonizing NAFTA will help us compete with other regions around the world, namely Asia and the European Union.
- By becoming more competitive we will create more jobs and opportunities for our country's citizens, making North America the best place to do business.
- From the more than 300 SPP priorities, the governments look to the private sector to "trim them down" to a manageable number so that tangible results can be achieved.
- Representatives from the three governments will get together again for an NACC Ministerial meeting in late September or early October to discuss the private sector's suggestions.

Secretary Garcia de Alba:

- NAFTA has been a great success from the Mexican point of view and has created new jobs, primarily by small and medium size enterprises (SME).
- NAFTA is also directly connected to regional development. Before 1994, a majority of Mexico's exports were primary products – now Mexico is home to 220 business incubators for new technologies.
- Twelve years ago, the key issue was market access. Now the question is: how do we increase competitiveness across all NAFTA partners?
- Mexico's private sector representation at the meeting shows their commitment to the NACC process and to making NAFTA competitive.
- The governments look forward to a robust relationship with the private sector and look forward to their recommendations and suggestions. It will be a great challenge, but we will succeed if we work together.

Minister Bernier:

- The governments need the help of the private sector to solve the "bottlenecks" that have been created by laws and regulations; and thus make NAFTA more competitive.
- Together the private sectors and governments of all three countries can work to create more jobs and provide for their citizens.

The government representatives then turned the meeting over to the private sector representatives to get their views on the NACC.

List of private sector representatives (organized by country):

Canada

Linda Hasenfratz, CEO, Linamar Corporation

Michael Sabia, President and CEO, Bell Canada Enterprises (BCE)

Annette Verschuren, President, Home Depot Canada

Mexico

José Luís Barraza, Presidente del Consejo Coordinador Empresarial (CCE- Mexico's main business association), and CEO of Grupo Impulso, Realiza & Asociados, Inmobiliaria Realiza and Optima

Roberto Newell, Director General del Instituto Mexicano para la Competitividad (IMCO)

Guillermo Vogel, Vicepresident of TAMSA (Tubos de Acero de México)

César de Anda Molina, President and CEO de Avicar de Occidente

Alfredo Moisés Ceja, President, Finca Montegrande

United States

Warren Erdman, Senior Vice President, Kansas City Southern Industries

Louis L. Schorsch, President and CEO, Mittal Steel USA

Ron Covais, President, The Americas, Lockheed Martin Corporation

Craig Herkert, CEO of the Americas, Wal-Mart International

Archie van Beuren, President, Away from Home and Canada, Mexico and Latin America, Campbell Soup Company

Amgad Shehata, Vice President for Strategic Development and Public Affairs, United Parcel Service

Key Points by Private Sector Speakers

Although the meeting was off-the-record the following is a summary of what was said at the meeting without attribution to individual speakers.

Canadian Representatives:

- Although the countries we all do business in are “sovereign nations” our shareholders demand profits in all three countries.
- Congratulated the governments of Canada and the United States in resolving the soft-wood lumber dispute.
- As far as the Canadian section of the NACC is concerned, one of the most important things that the group can tackle is inefficiencies at the borders.
- One of the answers to making the border more efficient is to decrease the paperwork necessary to get products through. The more digital (paperless) the customs becomes the better it is for business.
- The group needs to develop simple strategies that will lead to action and change.
- This group should drive change.
- It is important that we keep in mind that the suggestions that we will have should make the region easier to trade in and should also make NAFTA more competitive with the rest of the world.
- The more rules we create the harder it will be for us to do business.

U.S. Representatives:

- The three private sectors need to work together to make this partnership a success.
- The U.S. section of the NACC has organized itself through a Secretariat – comprised of the U.S. Chamber of Commerce and the Council of the Americas – to maximize its efficiency and better communicate with its members.
- We recommend that each government designate contacts at the working level, to facilitate progress between Ministerials.
- Energy costs and further integration need to be addressed.
- The U.S. section has also come up with five priorities to guide the group in our initial conversations. The five priorities are as follows:

- Energy Integration
- Supply Chain Management/Trade Facilitation/Customs Reform
- Regulatory/Standards issues - Harmonization and Sharing of Best Practices
- Counterfeiting and Piracy – “Fake Free North America”
- Private Sector Involvement in Border Security and Infrastructure Projects
- Although priorities are likely to differ slightly between the countries, we might agree to focus on customs reform which seems to be a priority for all three countries and could offer some initial successes.

Mexican Representatives:

- One of the major purposes of the NACC should be to create more jobs.
- The way to make the NACC endeavor a success is to prioritize its objectives and move forward in a way that makes sense.
- We need to pick some “low hanging fruit” so that we can show progress.
- As the Canadian delegation has already mentioned, bottlenecks at our borders need to be ameliorated to allow for a faster exchange goods.
- Like the U.S. section of the NACC, the Mexican section has also organized itself around a Secretariat to facilitate interchange between its members. This Secretariat is headed by the Instituto Mexicano para la Competitividad (IMCO).
- We must make our steel industries more competitive in the global marketplace.
- The current Mexican administration is trying to further integrate the Mexico’s and Central America’s energy sectors.

Government representatives then left the room to allow the private sector to discuss how to proceed. The private sector representatives discussed how to organize themselves to get recommendations to the government representatives by the next Ministerial.

U.S. Representatives:

- As we discussed with the Ministers, the U.S. section has organized itself around a Secretariat (Council of the Americas and the U.S. Chamber of Commerce).
- The three sections of the NACC should get together in Washington prior to the Ministerial so that we can finalize all of

our recommendations. The meeting should take place in Washington in the first half of August.

Mexican Representative:

- The Mexican section of the NACC has also organized itself around a Secretariat (IMCO).
- The NACC must develop some metrics to gauge if progress is being made.
- We should coordinate our priorities so that we are all on the same page.

Canadian Representative:

- Their section has not had the time to organize itself – but once the representatives get back to Canada they will choose a Secretariat. The Canadian group will meet in July to choose a Secretariat, priorities, and Chair/spokesperson.
- Each group should have their priorities ready by the next meeting so that we can all negotiate and have one set of recommendations by the Ministerial meeting.
- Each country should have a Chair/spokesperson to represent the group at the Ministerials.

Action Items for U.S. side of NACC

- The U.S. side of the NACC must consolidate and prioritize its recommendations before August meeting.
- The U.S. side of the NACC must agree upon one NACC member to serve as the Chair/spokesperson for the group at trilateral NACC meetings before August meeting.

Action Items for NACC

- The NACC must have recommendations and priorities ready to present to the government representatives by the next Ministerial scheduled for late September or early October.
- To be ready for the next Ministerial representatives from the three sides of the NACC will get together in Washington in the first half of August (we recommend Thursday, August 3). We will work with the other Secretariats to set a date that is convenient for a majority of the NACC members.
- During the August meeting, the Canadian, Mexican and U.S. sections will present their recommended priorities, why they are important, and some initial actions that can be taken.

- Once each section has presented its recommendations, we will compare and reach an agreement on priorities to present at the next Ministerial.



U.S. Secretary of Commerce Carlos Gutierrez with his North American Counterparts



Mexican Economy Minister Sergio Garcia de Alba and Canadian Minister of Industry Maxime Bernier



Ron Covais, President, The Americas of Lockheed Martin



Private Sector representatives discuss key issues with Secretaries Gutierrez and de Alba and with Minister Bernier



Archie van Buren, President, Mexico & Latin America of Campbell Soup speaks with Secretary Gutierrez and Minister Bernier