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The Future of Canada-Mexico Relations: Thinking outside the federal box

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The past four years have been a testing and difficult period for the North American partnership. The stresses and tensions brought on by the US new security concerns and the war on terrorism have made it near impossible for a common agenda to emerge that is of mutual benefit to all three partners. The huge differences that have emerged in the worldviews of the NAFTA countries and the priorities they pursue have meant that significant progress on North American integration has been unattainable. This is not to say that no new agreements have been negotiated: on the contrary there have been advances, most notably in the area of borders and business integration. But it would be fair to say that the prospect of a new era of integration that satisfies all three countries is as distant today as it has ever been.

The three governments face an array of challenges before they can realistically talk of a “NAFTA plus”. First they must await a “normalization” in US relations with the world in general and with its allies in particular, and a subsequent change in the US foreign policy agenda. Second, public opinion in both Canada and Mexico must come to terms with a changed United States and be ready to get closer. Third, significant economic disparities, among the three countries and among regions within the three countries must be addressed. Finally, and most importantly, a perception of mutual gain must emerge that would create the powerful lobby groups within the three states necessary to drive the process forward. This author believes such an alignment of the “integration stars” to be highly improbable in the near future.

However, at the same time as trilateralism in North America has been facing these challenges, the bilateral relationship between Canada and Mexico has been going from strength to strength. The signing of a Canada-Mexico partnership in 2005, the increasingly close cooperation between the two countries in the United Nations, and the Canadian “courting” of Mexico in its 2005 International Policy Statement (IPS) are signs of the closeness discernible in

bilateral affairs. The warmth and enthusiasm of the reception given to President Fox in Alberta in September 2005 was indicative of this, and stood in marked contrast to the disillusionment and disappointment felt towards him in his own country.

Yet this new found intimacy relationship is not to be taken for granted. A range of challenges must be overcome in the near future if the progress of the past couple of years is not to be lost. Elections in both countries in 2006, combined with the problems of structural reform in Mexico's economy, and the ever-present domination of the region by the US require that the advances made by the two countries be institutionalized and a new framework for deeper, and more long-lasting cooperation created.

This paper argues that the way to do this is to bring together stakeholders in areas of mutual interest for the two countries. In a large number of diverse issues the two countries have mutual interests, though these are not necessarily obvious at the federal level. Instead, sub-federal cooperation must be encouraged by empowering and encouraging actors at the provincial/state, municipal, and community levels from both countries to come together to design collaborative projects for the long term. Subsidiarity is therefore a key concept for this paper, as is the idea of the existence of specialized communities whose interests and worldviews would be served by closer cooperation.

The Problems Facing North American Integration

After eleven years it would be accurate to say that NAFTA has been a partial success. For although trade levels among the three countries have increased dramatically, and FDI has become a driving force for integration, a number of challenges still remain. First, integration is far from complete. While the Canada-US and US-Mexico economic axes of the region are

flourishing, the Canada-Mexico economic relationship remains relatively underdeveloped. At the same time as this national breach exists, regional differences are of crucial importance in evaluating the agreement. Whereas some regions of North America have become highly integrated (Ontario, California and Nuevo Leon for example), others (such as Labrador, Arkansas, and Chiapas) remain isolated by weak infrastructure, education or communications from the opportunities offered by the NAFTA. Perhaps most significant from the point of view of the legitimacy of the integration process is that large sectors of society in all three countries have yet to benefit from NAFTA. The owners of the factors in demand in the region (capital, skilled labour, technology, management, etc) have all had the opportunity to benefit from higher levels of economic cooperation. However, the disadvantaged, uneducated, unskilled, poor and marginalized have been excluded from the “NAFTA bonanza”.

At the same time, we must note that the visions of the three countries with regards to North American integration are still highly divergent. Canada’s main priority in the NAFTA has always been to protect and expand its privileged economic relationship with the US. The US, on the other hand, since 9/11 has come to see the NAFTA through the lens of security, emphasising borders, intelligence cooperation and controlling flows of people. Mexico’s priorities remain advancing the migration agenda with the US while at the same time protecting Mexico from too much interference by its northern neighbour.

The Security and Prosperity Partnership (SPP) of North America, negotiated in March of 2005, highlighted these divergent interests, and the relative importance of the three NAFTA partners (Council for Foreign Relations, 2005). For the SPP reflected the interests and vision of the United States and, to a lesser extent, Canada while neglecting the North American agenda of President Fox. Weakened at home through disillusionment with his *Gobierno del Cambio*

(government of change) and his inability to deal with a hostile and uncooperative Congress, Fox was unable to secure any significant mention of migration in the March meeting. The SPP's focus on borders and facilitating the business climate represented the agenda of powerful interests in the US, interests with which Canada was able to come to an understanding. Thus, despite the signing of a three-party agreement, Fox's sorry figure at the Waco meeting suggested a further weakening of trilateralism in the region.

Another major obstacle to significant trilateral progress lies in the disparities in levels of economic development and competitiveness among the three countries. Whereas the US and Canada are highly developed, competitive economies with a healthy mix of agricultural, raw materials, industrial and services production, Mexico faces enormous challenges in terms of structural economic reforms. Thus far unable to make the full transition from a *maquiladora*, resource and cheap labour based economy, Mexico's international competitiveness is under threat not only from China, but from other developing regional economies such as Brazil and Chile. The failure to move Mexico's economy forward to a new stage of development and competitiveness has made it a much less attractive and important focus for international investors. Although Mexico still receives significant FDI, there is a feeling in Mexico and internationally that the country is losing ground against other potential destinations. The interest, therefore, in the business communities in the US and Canada to promote deeper integration with Mexico is somewhat limited by the perception that other countries may in fact offer a bigger bang for their buck.

A bilateral alternative: Canada-Mexico

While it would be foolish to try to analyse Canada-Mexico relations without reference to the US, this paper suggests that there is ample room for a bilateral agenda for cooperation to emerge between the extreme north and south of NAFTA independently of the giant that divides them. Canada and Mexico have made tremendous progress in recent years, in part because of the problematical nature of relations with the US.

The immediate period following 9/11 was incredibly difficult for Canada-Mexico relations, with Canada preferring to negotiate bilaterally with the US over new border arrangements rather than risk “Mexicanising” the US-Canada border (Hristoulas, 2003). Other tensions arose between Mexico and Canada in early post-9/11 discussions over the future of NAFTA with the Fox government pushing for a NAFTA plus involving a migration accord, a social fund and heavy investment in infrastructure, a.k.a. the “whole enchilada”. The standard Canadian response to appeals from the Fox government for support was simply “what’s in it for us?”. At the time Canadian government, as well as the business community, seemed to define North America in strictly Canada-US terms, including Mexico only “when possible”(Dobson, 2002).

These tensions, however, began to dissipate as problems grew between the two countries on the one hand, and the US on the other. The US was on terror, and in particular the invasion of Iraq, pushed Canada and Mexico towards a rapprochement. As their foreign policy agendas began to coincide, especially in the United Nations, a greater mutual understanding also began to emerge.

The creation of the Canada-Mexico Partnership (CMP) in October 2004 marked a significant step forward in bilateral affairs and was intended to develop the strategic relationship

between the two countries. It brought together leading figures from business and government in both countries to discuss bilateral cooperation in a broad range of areas. Initially three working groups were created in the areas of urban development and housing (looking at both sustainable cities and housing), human capital and competitiveness (PMO, 2005).

Shortly afterwards, the Canadian government issued its 2005 IPS which pleased its Mexican counterpart enormously. First, the statement emphasised the importance of North America as a priority for Canada, with the region defined in trilateral terms. Unlike in earlier formulations of North America, Ottawa had apparently now come to see Mexico as a full partner in the region. Second, the IPS was replete with references to Mexico as an important country for Canada, not only in the region but also internationally as a partner in international institutions.

In September of 2005 in another bilateral meeting between President Fox and PM Martin, the two mandatories celebrated the high level of cooperation between the two countries, giving particular emphasis to the temporary workers agreement that has seen around 13,000 Mexican agricultural workers come north to Canada for seasonal employment. Although only a small program, discussions have begun to consider expanding the program to include workers from other sectors.

Given this impressive progressive in the past couple of years, it would be tempting for advocates of the bilateral relationship to sit back and rest on their laurels. However, it is clear that the current state of affairs is an unstable one, vulnerable to changes in the national governments of the two countries concerned, and to changes in the US. It must be remembered that 2006 brings federal elections in both countries. A conservative victory in Canada could easily mean a swing back towards the US to the detriment of Mexico, and a left-wing PRD victory in Mexico could mean a declining interest in North America in general. Unlike the US-

Canada and US-Mexico axes of North America, the Canada-Mexico economic relationship lacks the same intense interdependence and is far from expendable in considerations of the national interest. Whereas the first priority of Canadian foreign policy may be “keep the US border open” to maintain the flow of goods south, it is difficult to imagine Canadians attaching the same importance to the flow of tourists to Cancun or Acapulco! Mexico is therefore not yet an “assumption” in Canadian politics in the same way that the US is for both Canadians and Mexicans.

Nor have Mexico and Canada reached a level of cultural and societal understanding that facilitates stable long-term cooperation. Whereas Canada and the US have reached an at times uneasy cultural accommodation over the last two centuries, and the US and Mexico are experiencing a new level of cultural and social integration through the presence of tens of millions of Mexican and Latino migrants in the US, Canada and Mexico remain distant neighbours. One idea that has been floated to bridge this cultural divide is to encourage more Mexican migration to Canada. This rather seems like putting the cart before the horse, however. Surely we need to decide if and why Mexicans are needed in Canada for economic purposes rather than just importing Mexican populations to encourage greater understanding!

Plotting a sub-federal future for bilateral relations.

Given these uncertainties and the current healthy nature of the relationship, the time is right, therefore, to take steps to institutionalise the progress of the past couple of years and to lay the foundations for continued cooperation in the future. This paper argues that the best way to do this is not through the traditional means of federal government-federal government cooperation,

but rather through sub-federal and societal networks that are not subject to the same shifts in political winds that can jeopardise close cooperation.

Who will lead the process forward in such a way? Interestingly enough, from the Canadian perspective the key political actor will probably not be the federal government. Instead this paper argues that the process should be driven from the bottom up. In particular provincial governments will explore the opportunities in the region to see what they can best take advantage of in a wide range of areas, from business to culture to education to sports. The growing interaction between provincial premiers and the governors of states in Mexico is testament to the will of this level of government to engage in non-traditional forms of diplomacy. Municipalities may also play a growing role, although that is not so well advanced as of the time of writing.

This is not, of course, a novel approach to international cooperation. There is a long tradition in international relations of looking for sub-national drivers of bilateral and multilateral cooperation. In the 1950s and 60s the neo-functionalist approach suggested that interested communities within society would push governments towards the creation of supranational arrangements. Putnam's two level games approach put forward the idea not only that domestic politics mattered in international cooperation and vice-versa, but more appropriately for the present study that trans-national alliances of domestic level actors could be formed to secure international agreements.

What's more the idea of sub-national governments in moving forward with piecemeal cooperation suggests a notion reminiscent of the European model of integration. Subsidiarity, the idea that policy and government functions should be transferred to the lowest level of government capable of effectively carrying them out, has yet to be explored in North America but holds enormous potential for opening up relations between different areas within the region.

The economic concept of growth nodes and the potential for synergy between the factors of raw materials, labour and technology, so abundant throughout the region but widely dispersed, areas that provincial and state levels of government are likely best able to explore. Complementarity in education, health care, and even employment needs are other areas that would benefit from a less macro, more area specific approach. Although I would not suggest that subsidiarity in North America acquire the *de jure* status it holds in the European Union, a *de facto* approach to the concept hold great potential.

But public authorities at the sub-federal level are not the only actors considered here. In addition key communities holding specialised knowledge and sharing similar worldviews present a useful counterpart in and support to the integration process. The epistemic community approach, focused on the issues of learning in international politics, knowledge-based networks of professionals achieved a respectable following in the early 1990s and may hold some wisdom for the future of bilateral relations. It is possible to identify groups in the two countries that approximate the established definition of an epistemic community, that is a network of individuals with:

- A shared set of normative and principled beliefs;
- Shared causal beliefs;
- Shared notions of validity; and,
- A common policy enterprise. (Haas, 1992)

For many years North American integration has depended on the three national business communities for its impetus. Future cooperative efforts between Canada and Mexico, however, will benefit enormously from the participation and leadership of interested groups, or

stakeholders. I argue that in the areas outlined below there exist both communities, and an interest on the part of their members, in both countries to move forward with bilateral cooperation.

Education

The CMP has already identified human capital as a key component in the drive for international competitiveness and as an area in which Canada and Mexico can work together. The collaboration of the AUCC and ANIERI, along with government agencies, has shown that space exists for the operation of a transnational epistemic community. Yet the steps taken thus far are but a small portion of what could be achieved, given the right circumstances.

Given the provincial domain over education, it would make sense for Canadian provinces to join these parties and directly engage the Mexican authorities to identify key areas of collaboration. Reducing the differences in the levels of public education from pre-primary through to university would clearly be in the interest of Mexico, but labour markets in Canada (and North America in general) would benefit from improved standards and the possibility of harmonized vocational standards.

A harmonization of educational standards may seem like an awfully ambitious goal given the enormous disparities between the two countries. But initial steps could be taken that focus on the university level. Canadian expertise in a state-run university system can be matched with the experience of Mexican experiments in private tertiary education, an experiment that has had mixed results to date, with certain examples of excellence. The highly entrepreneurial nature of Mexican university education, however, offers much to its Canadian counterpart, as do its links to Latin America and the challenging experience of working in a developing country.

Health and social security

Although Canadians are by now used to the idea of an imminent crisis in their systems of public healthcare and social security, they recognize that they are amongst the best-protected citizens in the world in this regard. Mexicans, on the other hand, have come to accept that the state cannot provide the necessary protection at a satisfactory level, and have embraced a mixed system. Although the public healthcare system in Mexico cannot satisfy the needs of its clients, and desperately needs new investment, there is no shortage of well-trained professionals. These professionals need money and the opportunity to practice.

One simple and seemingly straightforward mode of cooperation would involve the creation of training programs in Canada to bring Mexican healthcare providers (both doctors and nurses) with the necessary knowledge to allow them to practice in the Canadian context. Northern populations in Canada already suffer from a lack of healthcare providers; if we can bring in seasonally workers for agriculture, why not consider expanding the program to the area of health sciences? Given the fact that health comes under their mandate, the provinces would be key actors in this regard, but also universities, doctors, and professional universities in both countries. The exchange of medical know-how and expertise would presumably benefit both scientific communities as well as healthcare recipients.

A more radical idea would be a cooperative agreement to build healthcare facilities in Mexico (likely in the vicinity of large ex-pat communities there, such as Lake Chapala), where Canadians could go to receive medical attention. If snowbirds already receive medical attention in Florida, why not promote the idea of lower-cost alternatives in Mexico? Private insurance companies are already experimenting with the idea of encouraging American and British clients

to seek healthcare in India, at a fraction of the cost. Senior citizen care could easily be included in such an agreement, with the creation of long-term care facilities.

Such healthcare could easily be covered by the state at a reduced cost than that already paid for similar services within Canada. Alternatively, a public-private collaboration between the public health service in Canada and private insurance companies could provide another option.

Infrastructure and Transportation

Mexico is in desperate need of heavy investment in its economic and transportation infrastructure. In 2006, a victory in the Mexican federal election by Andres Manuel Lopez Obrador (AMLO) will likely bring a renewed interest in infrastructure spending, both in terms of long-distance communications (such as highways and railways) and in urban infrastructure. Given his record as mayor of Mexico City, he is willing to spend impressively in this regard. It would surely be in the interest of Canadian companies such as Bombardier to encourage a healthy dialogue with the Mexican government at such a time; however, an earlier, pre-election approach by groups of experts in infrastructure planning from Canada would ease the way for such a business opportunity to arise.

Canadian provinces and municipalities would be important partners if a dialogue on urban infrastructure was to emerge, and the discussions would fit in neatly with the sustainable cities program. The success of urban transportation systems in cities such as Toronto, Ottawa and Montreal provide examples that Mexican cities may wish to imitate, or at least from which they may learn valuable lessons. Investment in long distance transportation systems has been a crucial element of the Canadian national story, from railways to the trans-Canada highway. The

engineering, planning and financing expertise contained in government, as well as in private firms, would be of enormous benefit to Mexican planners.

Energy

Mexico is currently facing an imminent energy crisis. High prices for electricity and gas are compromising the competitiveness of Mexican business, consumers are facing blackouts and an uncertain future in energy supply and, most shockingly for the Mexican psyche, at current levels of exploitation and investment in exploration, Mexico will become a net oil importer at some time between 2008 and 2016. What's more there is a lack of well-trained engineers and geologists in the country (particularly in the area of oil exploration) which further compromises the possibility of a home grown solution to the problem. Unfortunately the debate over energy reform in Mexico remains dominated by oil and mired in outdated conceptions of sovereignty and protecting the national treasure.

Already a number of Canadian firms are working with the Mexican government to deal with some of the myriad problems facing the electricity and natural gas sectors. This cooperation is by necessity limited due to the strict public control over electricity generation. In the oil sector, PEMEX's experimentation with multiple service contracts (MSCs) has allowed limited collaboration with Canadian firms, but a full-scale opening-up of the Mexican energy sector is a long-way off.

Canadian provinces (in particular Alberta, Ontario and Quebec) would be important partners in any discussion on energy reforms in Mexico. Alberta's hugely successful natural gas exploitation holds important lessons for Mexico, and Ontario and Quebec's experience with hydroelectric generation could help certain areas of Mexico to come up with alternative energy

sources. While Canada does not hold any significant expertise in offshore deepwater oil drilling (where significant new oil reserves may be found in the Gulf of Mexico), the key benefit from the creation of an energy dialogue between the two countries would be the transfer of knowledge and expertise to help Mexico fully exploit its energy potential. In this sense provinces, universities (to offer training facilities) and industry associations would be important collaborators.

Indigenous affairs

While Canada has had a far from perfect record in its dealings with its indigenous populations (or First Nations), it would be fair to say that the current standard of living of the majority of Canadian First Nations citizens is far above that of their Mexican counterparts. Of course the histories of the two countries in their dealings with indigenous populations could hardly be more different: in Canada, a history of land treaties, separation, confrontation and eventual cohabitation with the prospect of political and economic development; in Mexico, the culture of mestizaje, marginalization, and ultimately rebellion in 1994.

Significant sections of Canada's First Nations today have achieved greater political and economic autonomy and have begun to look outside of Canada for contact with other indigenous peoples. Recent years have seen a flurry of activity in this regard, with high-ranking indigenous individuals visiting Mexico. Cultural exchanges, discussions over economic cooperation and importantly, the visit of Paul Okalik, premier of Nunavut, in November of 2004, have heralded this new era of "indigenous diplomacy".

Indigenous affairs will be of great importance to the next President of Mexico as levels of protest among the *pueblos indigenas* of southern Mexico are again rising. With the chaotic

southern border already facing the challenge of rising levels of violence and disorder due to the *maras* (or gangs originating in central America), a constructive dialogue that leads to significant improvements in the standard of living of the indigenous population is desperately needed. It is here that the Canadian federal and provincial governments, but more importantly First Nations, may be able to play an “honest broker” role. The indigenous communities in both Canada and Mexico hold many of the qualities normally attributed to epistemic communities, particularly in the areas of shared normative and principled beliefs, shared causal beliefs and shared notions of validity.

What do Canadian indigenous groups stand to gain from this cooperation? A sense of prestige, international recognition, and perhaps most importantly, a heightened sense of community and brotherhood in the hemisphere would be key achievements. The Mexican government stands to benefit as a process of dialogue replaces confrontation, as well as the potential for economic transfers from wealthier Canadian First Nations to marginalized populations in the southern states.

Federal government cooperation

This paper has focused its attention on sub-federal cooperation. However it would be foolish and shortsighted to ignore the numerous areas of interest and potential cooperation to both federal governments. Of course the two federal governments need to lay the foundations for and prepare a framework within which such sub-federal cooperation could take place. But we must also consider the interest that exists in Federal collaboration in areas such as foreign policy, in particular international institutions, fiscal reforms, and regional development (the abortive experience of the Plan Puebla-Panama contains many valuable lessons for both governments). A

final area that may hold potential is that of peacekeeping and peacebuilding. Although constitutional constraints limit the potential at the present time for military-military collaboration, the federal electoral institute (IFE) has already been active internationally in Afghanistan and Iraq in promoting free and fair elections. What's more, the space exists for the transfer of peacekeeping expertise from, for example, the Pearson Center, to those agencies of the Mexican military (such as the navy) that are ready to listen.

Conclusion

This paper has argued that significant potential exists for future cooperation and collaboration between Canada and Mexico at the sub-federal level if an adequate framework can be created to promote a vibrant dialogue that includes relevant communities, both political and knowledge based in both countries. Although such far-reaching collaboration may seem improbable at the time of writing, the example of the CMP holds the potential for broader and deeper cooperation that can be continued by political authorities in the future at multiple levels.

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