

Los dos amigos: The continental slow dance

A COMMON INTEREST WITHOUT A COMMON FRAMEWORK

Canada and Mexico have never been very close neighbours. They are separated by a continent, by language, by culture, and by the gigantic divide of economic development. In a way few could have predicted, NAFTA has required them to be more than neighbours and to gradually address the geopolitical realities of the continent.

They have a common interest in forging a closer working relationship. Together they could be an effective counterweight to the new Bush administration's aggressive plan to negotiate a continental energy deal that would give the American consumer a long-term, cheap supply of energy. Apart, U.S. trade interests will eat them alive.

On the environment, Canada and Mexico have become toxic dumping sites for American hazardous waste. Since NAFTA was signed, Canadian hazardous waste imports have soared fivefold, with most of the waste destined for Ontario and Quebec. According to a recent study, Canada accepts twice as much hazardous waste as Mexico, a figure that neither country can be particularly proud of.

In the area of fiscal policy, both Fox and Chrétien have to find ways to broaden their government's revenue base. Mexico's and Canada's social agendas are crowded as poverty, exclusion, and equity issues require strong action. Fox and Chrétien have to spend more, not less, but they continue to equivocate. They cannot make any deeper tax cuts than they have in the hopes that upper- and middle-income earners will restore consumer confidence and give their faltering economies a badly needed boost. They need to spend more judiciously, cautiously, and wisely; but, in the end, they will have to address the social deficit. They want to be remembered as spenders rather than cutters.

BY DANIEL DRACHE

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So the U.S. model of less state, less taxes is not a viable option.

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Mexico is a staggeringly poor society with over 60 percent living below or on the poverty line. To end poverty, it is necessary to tax the extremely rich. In her article, Silvia Núñez García cites the finding that 54 million out of 100 million Mexicans are living in extreme deprivation and 60 percent of those are women. Poverty rates in Canada have also grown dramatically, particularly for single mothers and for low-income families in Ontario. Twenty percent of Canadians live

below or on the poverty line. Neither Canada nor Mexico shows any inclination to tax big business and the wealthy more.

JOINED MORE BY MENTALITY THAN GEOGRAPHY

Mexico and Canada are not joined together at the hip by geography but are attached at the head. Their ruling circles share the same mentality that privatization of the energy sector and low tax rates will bring investors running. So far, both economies have not been badly hurt by the slowdown gripping their giant neighbour. They have not followed the American economy into a deep slowdown but the economic forecasts for both countries are gloomy and the forecasters have cut their growth projections for next year.

So far, record petro-profits, from the tripling of energy prices, have shielded Mexico's economy from the U.S. domestic slump, but the inevitable slowdown with large-scale job loss and plant closures is only months away, if that. Canada's economic future looks equally rocky as primary export sectors such as auto, energy, and light manufacturing are not bullish about the future.

The bilateral Canada–Mexico relationship is likely to face a rough future where domestic pressures and new initiatives from the Bush administration are going to place a lot of stress on Mexican–Canadian relations. The collateral damage could be significant and far greater than anticipated.

TRADE WITH A HUMAN FACE: NOT PART OF THE U.S. AGENDA

With Bush losing control of the Senate, the future of the FTAA is increasingly troubled. The *Declaration of Quebec City* included a plan for action for strengthening democracy, creating prosperity, and realizing human potential. It is hard

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to believe that one of the pillars of a hemispheric NAFTA-like agreement includes a commitment to inclusion and greater equity. Free trade is downplayed while the human security agenda is stressed. Two months after the Quebec Summit Bush has forgotten the democracy clause and the rest of the social package. In a statement to a U.S. congressman, he rejected linking trade agreements to labour rights, environmental standards, and building hemispheric democracy. Bush said that trade pacts should not be “laden down with all kinds of excuses not to trade” (*Financial Times*, June 21, 2001).

Few observers believe that the free trade component is off the agenda for good, but even free trade with a human face will not be easy for the U.S. Congress to swallow. Protectionism wins votes in the United States and Bush is very much an “American-firster” and views U.S. protectionist measures as incentives to trade! Faced with growing American unilateralism in foreign policy matters, Canada and Mexico share much in common. Both are regional powers without a region to govern and boss, so they need to look for allies to counter their asymmetry of power with the imperial republic.

The Canada–Mexico relationship will always be a fragile one because they trade so little with each other. The fact that they are both members of the “80% club,” where 80 percent of their total exports go to the largest market in the world, defines a common interest in finding ways to limit the fallout of NAFTA. Significantly, Ottawa and Mexico have not developed a common strategy for addressing the social deficit in NAFTA.

The new Fox administration had an opportunity to back Ottawa’s demands to limit NAFTA’s investor rights provision that allowed U.S. corporations to sue public authority in exercising its public duty. No Canadian corporation has ever been given such an unbridled right to challenge national authority pursuing its duty. Certainly the United

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States has never given a Canadian or any other private actor such a privileged status. Fox had an opening had he wished to take it and the costs were minimal since all Ottawa wanted was to see if a consensus existed on the need to restrict this Chapter 11 provision rather than eliminate it entirely.

Chapter 11 of NAFTA permits corporations to challenge governments’ sovereignty to make policy with regard to public health, the environment, labour standards, and other public services.

A STRATEGIC OPPORTUNITY LOST

So if common economic interest is not enough to transform the Canada–Mexico relationship in new and novel ways, both *amigos* will need to look more carefully at the values and aspirations they share in common for building cooperation in the hemisphere.

Today there are many agendas vying for the public’s attention, as contributors to this volume emphasize. So if there is to be a stronger and closer working relationship between Canada and Mexico, they will need a stronger agenda than a traditional trade-centred one. Pessimists are right to believe that if economic self-interest cannot forge a strong Canada–Mexico tie, what hope is there for a budding new relationship in other areas?

For starters, Canada needs to find ways to increase immigration from Mexico and develop stronger links between civil society in the two countries. Illegal immigration has been front and centre of Mexico’s difficult and often strained relationship with the United States. According to Mexican researchers, over 450 Mexicans and other Latin Americans have been shot at the Rio Grande border in the last five to six years while trying to enter the United States—a figure greater than the total

number of East Germans who lost their lives at the Berlin Wall in the worst period of the Cold War.

Canada has to do more and open its border to legal immigration from Mexico. We will never develop closer ties without a large-scale immigration. If we are not to be each other’s best trading countries, we can still do much more to build a strong immigration network from Mexico to Canada.

As well, in the area of the environment and human security, the two countries need to negotiate bilateral agreements. For example, they have to try to work toward a different model of energy sharing with the new Bush administration. This offers Canada and Mexico an opportunity to develop a strategic alliance on the environment and energy fronts. The United States will continue to pressure Mexico to amend its constitution and open its energy sector to U.S. multinationals who are pushing to get in. The continent needs a very different kind of energy-sharing arrangement, one that is not based on volume and the energy needs of the American consumer. If there is to be one, Fox will have to be a leader rather than a follower.

One of the unintended consequences of signing NAFTA is that it has created the framework for Canada and Mexico to redefine their relationship with the United States in non-NAFTA areas. Despite a promising beginning, the question is whether *los dos amigos* have any strategic need to develop it any further. Unless there is the political will to do so, Canada and Mexico will remain curious about each other but little more. On the planet today, here as elsewhere, political will is a scarce commodity in a dismal political age. Nothing of significance matters more. Little happens without it as the fragile nature of Canadian–Mexican relations attests. ❁