

# CanadaWatch

PRACTICAL AND AUTHORITATIVE ANALYSIS OF KEY NATIONAL ISSUES

SPECIAL ISSUE ON THE NEW MEXICO UNDER FOX: IS IT HAPPENING?

## Mexico–Canada relations: The democratic deficit

The assertion that Mexico and Canada virtually discovered each other over the past few years is commonplace by now. As an unintended result of a similar strategy of seeking institutionalized cooperation to deal with their common foreign priority—the United States—Canada and Mexico came to realize that their parallels go well beyond their common neighbour. As a result, they became aware of the enormous potential for economic and political collaboration that had remained untapped but now explains the exponential development of the relationship since 1992.

BY JULIÁN CASTRO REA

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During the past decade, links between Mexico and Canada experienced an impressive quantitative leap forward measured in volumes of trade, investment, and technical, scientific, cultural, and educational cooperation. Some avenues for multilateral cooperation were  
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## Poverty: Mexico's overwhelming shadow

“Lack of money is the root of all evil.”  
— George Bernard Shaw

In an era when Mexico has begun to rewrite its history according to “modern” values—that is, with the rationality imposed by the market economy—a gloomy shadow from the past continues to diminish the country’s expectations for a brighter future beyond poverty.

Certainly, the victory of civilian participation that made it possible to overthrow the 70-year ruling-party regime of the PRI has had an effect on people’s desires for major change in the political, economic, social, and cultural arenas.

BY SILVIA NÚÑEZ GARCÍA

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In view of recent Mexican experience, we will look at the challenges facing Vicente Fox’s mandate to strengthen the nation’s capabilities and democratize the economy. By focusing on the unprecedented number of Mexicans living in  
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# From the editor

## Fox's New Mexico: Is It More Than Smoke and Mirrors?

Too few Canadians understand the importance and significance of the Fox administration. Not since the coming to power of Castro over 40 years ago has there been such a signal change in political regime in the hemisphere. The question is whether the modern presidency of Fox is all spin thanks to the small army of communications specialists he has hired to give his presidency a modern, forward-looking image as a branded product. Canadians also want to know whether, beyond the glitter and hoopla, unannounced and unheralded, there is a quiet revolution happening in Mexico, a transition from one-party rule to modern democracy. If there is, what's the evidence for it?

This special issue of *Canada Watch*, "The New Mexico Under Fox: Is It Happening?" offers a unique behind-the-scenes examination of the first six months of the Fox administration. All of the contributors are specialists and the issue is a joint effort of the Robarts Centre for Canadian Studies and Center of North American Studies (CISEAN), UNAM in Mexico City.

Fox, like Chrétien, was elected as a reformer and an alternative to the discredited neo-liberal policies of his predecessor. But the public's confidence with newly elected governments quickly turns to disillusionment if promises are not kept. The result is public apathy, low voter turnout, and cynicism. As many Mexican contributors to this issue contend, the Fox administration enjoyed one of the highest approval ratings of any modern presidency, but in many policy areas the change in political power has been one more of style than substance. Will voter apathy and disillusionment be far behind?

Many Mexicans have become Fox skeptics and have lost their innocence about Mexico's transition to democracy. Why?

### PUBLIC APATHY AND ANGER

The Fox government has learned to manage the public rather than serve its needs and interests. So far his administration has not addressed Mexico's crushing debt. Public sector debts amount to 48 percent of GDP. With such indebtedness, Fox will have precious few resources for addressing Mexico's most pressing social issues—poverty, public housing, health care, a modern education system, environmental issues, and labour reform.

It is disturbing that initially Fox wanted to tax the poor more for food, medicine, and

other necessities. Mexico has one of the most leaky tax systems in Latin America and the wealthy—the rich and foreign corporations—do not pay their fair share. Some experts argue that the Fox administration does not have to raise taxes but to simply collect the taxes that are owed them by rich Mexicans. Its administrative system is so corrupt and inefficient that one of the first steps the Fox presidency needed to take was to reform the government. So far there is little evidence that this task is a priority on his legislative agenda.

Some reform is happening but it is at the edges of government and there is little sign that Fox has the political commitment to make a clean break with the past.

The paradox is that Mexico, like Canada, has highly organized, sophisticated, and experienced social movement groups, which could be a formidable opponent to Fox's rather disappointing start. The fact that increasingly it is the domestic arena that defines Mexico's foreign policy interests will surprise few. The high-profile issues for Mexico's civil society are not those of the hemisphere.

Where does this leave Canada and its relationship with Mexico? Our trade with Mexico is small, even if growing. To raise it to 5 percent of our total exports from its current mini-levels as a share of total exports would take nothing short of a revolution on Canada's and Mexico's part.

Simply put, the glue between Canada and Mexico will never be economic; rather, it will be geopolitical, to limit U.S. intrusion into Canadian and Mexican affairs. As contributors to this special issue of *Canada Watch* underline, the fit between the *dos amigos* has never been easy, even if (in theory) the timing for a much closer relationship could not be better. Politics in international relations is never a theoretical exercise. So far a closer Canada-Mexico accord has not happened naturally, spontaneously, or effortlessly.

Public policy experts need to get up to speed and figure out where the obstacles are. Canadians and Mexicans need to look at the different kinds of initiatives and frameworks that would lead to a strategic alliance. It seems a lot to expect and much is riding on it. For 50 years Mexicans and Canadians have been looking at each anxiously across the continental dance floor and it's time they learned to fox-trot together.

—Daniel Drache  
Editor-in-chief

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# 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

Daniel Drache is director of the Robarts Centre for Canadian Studies and a professor of political economy at York University.

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.

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

So far, the two *amigos* haven't connected to find a way to address poverty and inequality.

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

## So far, the two *amigos* haven’t connected to find a way to address poverty and inequality.

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. ❁

# Over 150 days of Fox's indigenism

BY NATIVIDAD GUTIÉRREZ

Natividad Gutiérrez is a professor and researcher at the Instituto de Investigaciones Sociales, Universidad Nacional Autónoma de México.

Perhaps the most dramatic change in Vicente Fox's style of addressing indigenous issues is the recognition that the "Indian problem" is much more complicated than he ever thought.

Is there a traceable distance between the political rhetoric of Fox's campaign discourse and that of Fox in administration? How can one evaluate his dealings with Indian peoples over 100 days? Is there a change already noticeable?

Perhaps the most dramatic change in Vicente Fox's style of addressing indigenous issues is the recognition that the "Indian problem" is much more complicated than he ever thought. During his political proselytism he offered a formula for indigenous welfare based on consumerism: what the Indian peoples want, he once said, is "a TV, a Volkswagen and a small business." In this formulation, the discontent of Indians, after the Chiapas revolt, was due to their lack of access to urban consumerism's mass commodity products. This deficit was identified as the root of injustice and corruption. Indeed, lack of "development" has been a recurrent official view.

The creation and implementation of *indigenism*—for over 50 years a policy and theoretical ground upon which to achieve the acculturation or *mexicanization* of Indians—represents a case in point. According to traditional indigenism, Indians were backward, because they were isolated, and because they could not speak Spanish they were exploited by mestizo and ladino peoples. Acculturation offers the means to overcome this condition by receiving information via the TV, enjoying mobility and prestige by owning a modest car, plus acquiring the mentality of a small entrepreneur. Of course, views such as these made it very difficult to tackle the problem from a political and even historical perspective, making the official task of recognizing diversity, in the terms expressed by the indigenous peoples themselves, more difficult still.

## REBELS AND CONSERVATIVES

Throughout March 2001, events arising in response to the Zapatista tour for

fulfillment of the San Andrés Agreements (ASA) of February 1996, motivated a presidential change in approach with regard to the unresolved conflict in Chiapas. The tour, widely covered by the media, brought to the fore centuries of conservatism and prejudice against the Indians by the ruling class and the PAN legislators. In fact, PAN legislators made evident their discomfort at having to recognize an armed group whom only seven years ago had declared war on the Mexican state. Notwithstanding Fox's decision to send this controversial initiative to Senate on the first day of his government, the move did not bring peace to the region nor did it allow him to have a close encounter with the rebel leader. The proposal as sent to the congress was renamed the COCOPA-EZLN-CNI (December 5, 2000).

On April 25, 2001, Fox's COCOPA-EZLN-CNI was turned down unanimously by the Senate. A new version of the *Law on Indigenous Rights and Culture* was finally approved by 386 deputy votes in favour and 66 against. The passing of this new legislation contravenes the agreements signed in February 1996, between the Zapatista Army for National Liberation (EZLN) and the federal executive, for two reasons. First, the historical negotiation recognized indigenous peoples as legal subjects whose cultures would be respected and enhanced. Second, with this recognition, indigenous peoples were to play a leading participatory role. This has been substantially modified with the new legislation, which resembles another development program. The new reforms were condensed into a handful of articles. The COCOPA-EZLN-CNI initiative sought to legislate, among others, articles 4 and 115, which deal with the nation's composition and the relationships between the present municipalities and the indigenous peoples.

That Fox has announced satisfaction with the results of a law that overshadows constitutional rights for indigenous peoples has to be seen as a worrying signal. Prompted by the lack of official coherence with regard to indigenous affairs, the EZLN has rejected the new law and any possibility for future negotiations. To this point, no legislative project or governmental effort has been able to reinstate a peace agreement.

EZLN's civil arm, the National Indigenous Congress (CNI), announced mobilizations in defence of the COCOPA initiative, while the other nationwide indigenous organization, National Plural Assembly for Autonomy (ANIPA), blatantly rejected the new indigenous law with the following judgment: "Once again, Mexico without us!" It remains to be seen what kind of future awaits April's

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hurriedly passed law, as the local congresses of the 36 federal states of the republic have yet to vote in favour or against it.

Interesting debates will inevitably emerge at the Oaxaca and Quintana Roo legislatures, which have themselves been discussing normative procedures for ruling indigenous peoples within their jurisdictions since 1988. Oaxaca is the homeland of over 12 different indigenous peoples, including Mixteco and Zapoteco peoples, who have a recorded history of immigration to the United States. Quintana Roo is one of the three states—the others are Yucatán and Campeche—that have played a role in dividing the homogeneous Maya people of the Yucatán peninsula since the early 20th century.

While the *Indigenous Law* of April 2001 is still under discussion, approved in only 8 of 36 states of the federation, more worrying signals have emerged from Fox's politics. During a recent tour of Central America, while seeking resources and support for the controversial Plan-Puebla-Panamá (PPP), Fox once again asserted his unilateral view of development, stating that "the plan is considerably more than Zapatism or an indigenous community in Chiapas." He also stated that Chiapas was at peace and that no more power or political space would be given to the rebel movement.

As a government strategy to generate "qualitative development" encouraging managerial control and investment of transnational companies, the PPP poses very relevant questions concerning the control of natural resources by indigenous peoples—a core aspect of autonomy. Fox's premature triumphant attitude and underestimation of a complex, growing problem has provoked criticisms from many different sectors of society. This could bolster the EZLN position. In turn, the media have reported an increasing military presence in the conflict zone. This warrants an official explanation from peace commissioner Luis H. Alvarez. It remains to be seen

## While an indigenous elite is now present to conduct their own affairs, signals of peace remain ambiguous in the southern frontier.

what the response of the EZLN leadership will be after the indigenous law has been debated.

The likely scenario is an intensification of the conflict fuelled by the increased military presence in the state of Chiapas. It has been reported that, to date, the EZLN has over 30 territorial bases. In addition, numerous civil society organizations are pressing for the fulfillment of the COCOPA initiative, thus strengthening the political and moral leadership of excluded people represented by Marcos.

The demands on the presidential executive are considerable. Peace could be guaranteed within the framework of the PPP by reintroducing the approved indigenous law despite the legislative costs. Vicente Fox will have to reach this conclusion. Civil support for the rebel movement is certain to increase and transnational capital does not invest in social risk. If Fox does not take into account the new relationship between industry, the environment, and society, his own ideas about progress will become nothing more than a bad dream.

### RESPECT AND RECOGNITION

Autonomy and free determination for indigenous peoples are the key factors of the new pact of; nevertheless, the legislation has created an intense political and academic debate. The so-called spirit of the ASA implies the implementation of a new type of policy based on respect and recognition as well as ethnic and local rehabilitation against centuries of injustice. Employing legal terminology and techniques, the new law reduces federal responsibility and centres on the provision of rights according to the demands raised by each

individual state of the federation. The indigenous law (April 25, 2001) is at the heart of a controversial debate. The question is whether this new version satisfies or falls short of the ASA with regard to the regulation on issues such as "indigenous peoples," "control of natural resources," "territory versus habitat," and "access to media," to name but a few. Original expectations that the new legislation would eradicate official paternalism toward the Indian peoples have been frustrated.

### EDUCATED INDIANS IN OFFICE

The present administration has not yet managed to arrive at an innovative policy for indigenous peoples. There is great expectation, though, that more imaginative planning of indigenous affairs will lead to better results given that, for the first time in the history of indigenism, indigenous individuals have been appointed to senior and executive roles. An indigenous educated elite has entered the domain of public decision making and from within will help to dismantle prejudices as to the so-called lack of intellectual or managerial capacity of indigenous peoples. It is expected that this new indigenous presence will be an important factor in the development of policies that promote cultural recognition and structural redistribution. This represents a sharp rejection of former policies, which promoted acculturation as a condition for progress.

A look at the careers and backgrounds of some of these educated Indians provides a closer view of the kind of public policy the nation, particularly its 10 million-plus Indians, can expect. Marcos Matias, the present head of INI

(Instituto Nacional Indigenista), combines three strategic roles: a former Náhuatl leader of his hometown, respected anthropologist, and an experienced civil servant with an international profile. Xóchilt Gálvez is an engineer who claims Nāhñu background. While unknown in academic and political circles, she is a successful businesswoman who is responsible for coordinating the interministerial policies for Indian peoples. Other influential analysts are lawyers of Oaxacan origin, the Mixteco Francisco López Bárcenas and Adelfo Regino, Mixe. Attention should

be paid to the new ideas these professionals of ethnic origin will bring to the formulation of policy for indigenous peoples. Their presence provides integral cultural and historical input to what has long been regarded as a poverty-only issue.

At present, indigenous affairs are entangled in a complicated web of interests. The legal framework is undergoing constructive debate to enhance its ability to provide rights and recognition, but this institutional effort often clashes with the long-held prejudices and suspicions of conservative and privileged

sectors of society, which cannot disguise their contempt for Mexico's indigenous inheritance. While an indigenous elite is now present to conduct their own affairs, signals of peace remain ambiguous in the southern frontier. The final word, of course, will lie with the Indian peoples themselves. Increasingly aware of their rights, they are by no means prepared to give them away. Commandant Esther has inaugurated a double discourse of recognition previously unknown in Mexico—"We are women and, on top of that, indigenous, and as such we are not recognized." ❁

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also exploited, as the joint rejection of the U.S. *Helms-Burton Act*, to unilaterally forbid trade with Cuba, witnesses.

However, quantitative development of this bilateral relation through trade transactions and traditional diplomatic instruments, even if it carries on, is not fresh news. What is new is its politicization. This traditionally non-conflictual and, ultimately, secondary bilateral relation is now part of the core international agenda for both Canada and Mexico. As a result, it is a factor to be pondered when designing other international strategies in both Ottawa and Mexico City, and a process increasingly open to public scrutiny. Besides, the bilateral relation can no longer be isolated from North American trinational dynamics. This article illustrates these points through a review of the main events that took place in the first four months of the year 2001.

### THE 2000 ELECTIONS

In 2000, elections to renew the federal executives were held in the three North American countries, a coincidence that last occurred in 1988, when NAFTA was not even a project. The result seemed business as usual in Canada, where the Liberal government was ratified for a third consecutive mandate. On the contrary, in Mexico and the United States,

the elections produced important changes. In Mexico, PAN opposition candidate Vicente Fox was able to cleanly break, at the polls, the 71-year-old monopoly of power held by the PRI. In the United States, after a messy electoral process decided by a tiny proportion of votes, the Republicans were able to dislodge the Democrats from the White House after eight years of rule. At the dawn of 2001, like-minded presi-

dents are leading Mexico and the United States. Both Fox and George W. Bush are business-oriented, strong believers in free trade, and supporters of market expansion and state reduction. Both are eager to frame their political thought within the pragmatic individualistic values of the respective "cowboy cultures" that exist on both sides of the

**Bush's electoral victory confirms the trend of displacement of economic and political power in his country, from the northeast to the southwest.**

**This means U.S. policy makers increasingly know less about Canada than their predecessors did, and tend to ignore (or take for granted) their northern neighbour when they design foreign policy strategies.**

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border. What is more important, they share awareness of the central place relations between Mexico and the United States occupy in each country's external priorities, and they have repeatedly expressed their willingness to deepen those relations.

This is not good news for Canada. Bush's electoral victory confirms the trend of displacement of economic and political power in his country, from the northeast to the southwest. This means U.S. policy makers increasingly know less about Canada than their predecessors did, and tend to ignore (or take for granted) their northern neighbour when they design foreign policy strategies. That is why the new U.S. president put an end to the Washington tradition of giving special treatment to Canada at the beginning of a new administration, and opted instead to accept an invitation from President Fox to visit Mexico. Ottawa took umbrage at that decision and reacted with alarm. Canadian diplomats rushed to schedule an official visit to Washington on February 5, so that Prime Minister Chrétien could meet President Bush before he travelled to Mexico. Chrétien was able to gain assurances from Bush that he would not give Mexico priority over Canada, and that he would consult him, in the future, with regard to policy issues affecting Canada. In exchange, Bush asked Chrétien to help him promote free trade in the Americas, in particular to help him convince the U.S. Congress to grant fast-track authority to negotiate trade deals and to work together with that goal in mind at the Summit of the Americas. In other words, Bush asked Chrétien to cooperate, and not compete, with a key international priority the new administration defined, in which Mexico already plays a central role.

## THE QUEBEC SUMMIT

The second important event to be considered is, of course, the Summit of the Americas itself, which was held in Quebec City on April 21 and 22 under the

Chrétien declared that Canada remains in control of its energy sources. However, when compared with Mexico, where oil and electricity are produced and managed by public corporations, the situation is clearly different for Canada, where oil is exploited by private companies that have together become a main supplier in the United States and worldwide.

auspices of the Canadian government. The Summit, and the state visit of the Mexican president right before this multilateral meeting, provided the opportunity for the second meeting between Fox and Chrétien (the first one took place in August 2000, when then president-elect Fox paid a visit to Prime Minister Chrétien) and the first trilateral meeting of the current North American leaders.

Fox was cheered by Canadian officials and the public as the representative of a "new" Mexico, in which democracy had finally won over authoritarianism. Winner of the first truly democratic elections in Mexico since 1911, Fox took this opportunity to boast, as no previous Mexican president could, about how Mexico shared with Canada a set of basic democratic principles that would ease dialogue and exchanges. During a dinner speech, Fox suggested that a new path for increased cooperation was opening that would inspire the reform of Mexican institutions on the Canadian example (April 18, 2001, [www.presidencia.gob.mx](http://www.presidencia.gob.mx)). Some areas in which this new approach is be-

ing attempted are federalism, e-government, fiscal systems for tax returns for lower-income families, child benefit programs, and sustainable management of natural resources.

Fox expressed that "Mexico today offers the best return for investment" (April 20, 2001, [www.presidencia.gob.mx](http://www.presidencia.gob.mx)) because, thanks to the newborn democracy, there are now clear rules and transparent conditions that have strengthened the rule of law. During his official visit, Fox also stressed Mexico's commonalities with Canada with regard to the search for prosperity and economic growth, suggesting their alliance could adopt a new concrete meaning in "strategic partners for prosperity" (April 18, 2001, [www.presidencia.gob.mx](http://www.presidencia.gob.mx)).

The trilateral meeting held right after the Summit offered Fox and Chrétien an important opportunity to test their partnership. Both leaders teamed to reject President Bush's proposal for the creation of a North American common market on energy. They suggested instead the creation of a trilateral consulting group on energy, with no powers to



impose its opinions on governments. Chrétien declared that Canada remains in control of its energy sources (*Le Devoir*, April 23, 2001). However, when compared with Mexico, where oil and electricity are produced and managed by public corporations, the situation is clearly different for Canada, where oil is exploited by private companies that have together become a main supplier in the United States and worldwide.

For his part, Fox not only welcomed Canadian investment in Mexico in telecommunications and credit unions with open arms, he surprisingly announced a C\$2 billion Canadian investment in the energy sector in Mexico, which is constitutionally restricted to public investment. He also noted that Mexico and Canada would cooperate toward the completion of the free trade area of the Americas (FTAA).

Indeed, the FTAA seems to be, at this time, the most important issue for cooperation between Mexico and Canada. With Bush's hands currently tied by Congress, Canada and Mexico, aided somewhat by Chile, have become the main promoters of free trade in the Americas. Fox attended the Quebec City Summit as a strong supporter of the project, although he repeatedly insisted on the inclusion of three key elements in the agreement. First, different treatment for each participant country according to its level of development; the creation of a fund aimed at supporting underdeveloped regions in the hemisphere; and, finally, a program to ensure that the benefits of increased trade reach marginalized people in the Americas. Trade for the simple sake of profit is not enough, he insisted, and pleaded in favour of a free trade area with "plenty of humanism" (April 20, 2001, [www.presidencia.gob.mx](http://www.presidencia.gob.mx)).

### THE DEMOCRATIC DEFICIT

Plenty of humanism perhaps, but clearly not plenty of democracy. It became ironic that the first stated goal of the Summit, proudly announced by Jean Chrétien at the opening ceremony and repeated in the final declaration,

From the outset, elected members of parliaments throughout the hemisphere were not invited to participate in the Summit. Even an explicit demand sent by the Parliamentary Conference of the Americas to Prime Minister Chrétien requesting permission to participate was ignored.

was the reinforcement of democracy in the hemisphere. Meanwhile, outside the meeting, in Quebec City streets, at least 60,000 protesters, most of them Canadian but also including a Mexican delegation, were kept at bay by hundreds of policemen with the help of a three-metre-tall fence, huge amounts of tear gas, rubber bullets, pepper spray, and torrents of high-pressure water from water cannons.

Both Chrétien and Fox dismissed the protests. Fox declared that it is "very easy [for Canadians] to protest when you have a job and good food on your table." We have to think, he went on, of those 220 million Latin Americans who have nothing at all, no food on their tables, for whom the FTAA represents a hope. Chrétien mocked the protesters, declaring they were mainly tourists, there to have fun on the streets, "to protest and blah, blah, blah." Later on he accused them of trying to destroy "this very good democratic system" (*La Presse*, April 22, 2001).

Both leaders rejected the possibility of holding a referendum to ratify the agreement. Fox declared it was either unnecessary ("that is what we have parliaments and representative democracy for in all of our countries" (recorded by the author, April 20, 2001)) or at best premature. On a similar note, Chrétien considered that a referendum was not

necessary because, after all, one had not been used to approve NAFTA either. He also advised those who wanted to participate in the negotiations to run for office and get themselves elected. However, even this route did not seem to ensure access. From the outset, elected members of parliaments throughout the hemisphere were not invited to participate in the Summit. Even an explicit demand sent by the Parliamentary Conference of the Americas to Prime Minister Chrétien requesting permission to participate was ignored (*Le Devoir*, April 23, 2001).

Proposals for a different kind of trade agreement—one that regards social objectives—emerged from the People's Summit, a parallel gathering of NGOs and other social organizations in the hemisphere held in Quebec City at the same time. These proposals were equally ignored. Neither Fox nor Chrétien spoke in their favour or even mentioned them at the multilateral meeting. As it turns out, the paradox of this new era of deepening relations between Canada and Mexico is that, even when their leaders keep praising democratic values in the abstract, they are not willing to practise what they preach when it comes time to negotiate a hemispheric deal. There is clearly a democratic deficit that needs to be addressed in order to improve the quality of this bilateral relation. ❁

# Tex-Mex, border regions, and maquiladoras

Seventy years of presidentialism in Mexico have left their mark not only on the country's political institutions but also on the way the country's scholars, researchers, and other analysts interpret and analyze the political events unfolding in the country.

Accustomed to the president having unlimited power where other political institutions—including the judicial and legislative branches of government—are at his beck and call, we continue to rely heavily on the presidential figure to explain the course the country is taking. An executive branch of government delimited by other political institutions is a given in many countries.

Mexico has, however, only just begun to see a president with a limited framework of action, where weights and counterweights balance the power he holds. This is the most important change in recent Mexican politics. In order to understand it, we must not look upon Vicente Fox as the primary element of change, but rather as a contributing element within a complex process of many multidimensional changes. What's more, only in a few cases are these changes the result of concrete actions taken by the administration. More often than not, they are spontaneous modifications stemming from this important transformation in Mexico's regime.

## UNITED STATES–MEXICO NETWORKS

With this in mind, this article addresses two issues of special importance within the Fox administration: policies with regard to border regions and the close ties Fox has made and maintained with the Mexican community residing in the United States. The Fox administration represents a new kind of proactive politics in the international arena and particularly with respect to these two issues. Although this more dynamic approach to Mexican international politics repre-

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sents an opportunity for innovation within political institutions and public policies, Fox has to face a divided Congress that confronts and poses obstacles for this administration. For example, in the areas of fiscal reform and the indigenous peoples' rights, two recent initiatives sent by Fox to Congress did not receive total support from his party. This resulted in the first being postponed and the second being modified.

In the same vein, initiatives related to the border and the Mexican community in the United States, such as the possibility of voting from the exterior, are certain to be controversial in Congress. It is

important to recognize the emphasis that the Fox administration is placing on these two issues, which prior administrations had relegated to less important positions on the political agenda.

## THE MEXICAN COMMUNITY IN THE UNITED STATES

Fox, being born and raised in and as ex-governor for the state of Guanajuato—the point of origin of many Mexican immigrants in the United States—knows first hand the processes and political possibilities of establishing ties with migrants and the Mexican community in the United States. He also understands the need to guarantee their political and economic involvement.

In 1998, the Hispanic population living in the United States reached 30,773,000. Of this group, 19,834,000 are of Mexican heritage, thus representing 64 percent of the Hispanic population in the United States. In geographic terms, most of the Mexican community is located in California, Illinois, and Texas. In the last decade, however, migration flows have shifted from traditional areas to such new states as Washington, New York, Arizona, and many others. This suggests that a closer relationship between the Mexican and other Hispanic populations in the United States may generate various diverse economic and political opportunities that could generate short-term benefits for Mexico.

In economic terms, remittances sent by immigrants to their families in Mexico represent one of the country's main sources of foreign currency, which speaks sadly of the current Mexican economy. In 1994, it was estimated the migrant remittances reached \$3.7 billion. For Fox, these resources could potentially be employed in productive programs. On another note, the Hispanic market in the United States has grown in size and importance. In many cases, it has become a point of entry for

the introduction of Mexican products, from food to products from Mexico's cultural industries, into the United States market. This movement, of course, represents an opportunity to expand Mexican exports.

In political terms, the support of the Mexican-American community in the United States in the past presidential elections can be seen as both directly and indirectly important for the Fox administration. Although Fox has kept his promise to support the implementation of the vote for Mexicans residing outside the country, the political participation of Mexican residents in the United States is not limited to their direct vote. Due to the fact that most Mexican migrant communities in the United States keep strong ties with their communities of origin, their opinions and views regarding the current administration influence family and community members in Mexico. Likewise, the strengthening of ties with the national political leaders of the Mexican-American community is perceived as a way to generate lobbying on Mexican issues in the United States.

Another important issue on the political agenda is the improvement of conditions under which illegal Mexican migrants are being incorporated into U.S. labour markets. This represents a strong point for Fox, although it has not yet been seen in its real, concrete dimension: how many, who, where, etc. In any case, providing legal working status to undocumented workers would provide the Mexican worker with the ability to demand, through legal channels, better wages and working conditions, and, as has been declared by U.S. workers' unions, the right to actively participate as unionized workers.

## BORDER REGIONS

The current administration has also taken a new, more active, political stance with regard to border regions. A first step in this direction was the naming of a commissioner for the northern border, Ernesto Ruffo Appel, the first governor of the opposition in the state of Baja California and someone who

The fact that regions and local issues must always be dealt with through the mediation of secretariats, commissions, and other figures directly dependent on the president has hindered regional development for decades. The particularities and differences of diverse border regions require their own particular initiatives emanating from their own residents. They also require the capacity to negotiate, implement, and improve the institutions that affect them as border regions.

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knows the border well and has experience in governing.

As for Mexico's southern border, the Fox administration is working on an ambitious regional development project: the Puebla-Panama Plan. The most relevant and innovative aspect of this project is its attempt to define Central America and the Mexican southeast as a region that shares common problems and as a region subject to orchestrated policies.

While both the naming of a Northern Border commissioner and the Puebla-Panama Plan are innovative actions in current context, they leave Mexico's primary problem regarding regional development untouched: the issue of the country's deeply rooted centralist government. The fact that regions and local issues must always be dealt with through the mediation of secretariats, commissions, and other figures directly dependent on the president has hindered regional development for decades. The particularities and differences of diverse border regions require their own particular initiatives emanating from their own residents.

They also require the capacity to negotiate, implement, and improve the institutions that affect them as border regions. Border states, in particular municipal regions adjacent to the border, have stressed their desire to have more autonomous power: for example, to be able to collect more taxes—currently undertaken by the federal government—and autonomously decide how to employ them without their being tied directly to the federal government. In this arena, no change is immediately foreseeable.

## THE MAQUILADORA

Another perception, which has been inherited from former administrations, is that of seeing *maquiladoras* as the only possibility for development in border regions. The number of firms and their employment impact are certainly telling. In 1998 the *maquiladora* industry represented 2,983 firms, which employed 1,008,031 persons with 729,587 employees in border states.

However, from Tijuana, Baja California to Chetumal, Quintana Roo, the *maquiladora* obsession leaves the possibility to

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innovate and search for alternatives for development by the wayside. In this regard, Fox's criticisms of the Salinas-Zedillo economic model during his presidential campaign have proved to be more superficial than real. The economic model he appears to be favouring continues to disregard the need to increase wages. Most of Mexico's salaries are equivalent to poverty jobs. Wages in the *maquiladora* range between US\$250 and US\$350 per month. The model disregards development of endogenous products, industries, and technologies that have proven to be a fundamental condition for growth with more distributive possibilities in favour of international investment. Clearly, Fox's idea of regional development is based on the perception of regions as potential recipients of direct foreign investment only, rather than as possible spark plugs of economic processes based on strengthened local capacities rooted in their own particular social and political structures.


The above-mentioned criticisms are also applicable to the Puebla-Panama Plan. It is a regional development plan similar to projects developed in the 1970s, where the building of infrastructure is emphasized but now has the added attraction of *maquiladoras*. Although innovative in the international

Most of Mexico's salaries are equivalent to poverty jobs. Wages in the *maquiladora* range between US\$250 and US\$350 per month. The model disregards development of endogenous products, industries, and technologies that have proven to be a fundamental condition for growth with more distributive possibilities in favour of international investment.

arena, many of its components rely on economic paradigms whose validity has been seriously questioned in recent decades.

What is interesting, however, about this project is that it is being developed for a region full of strife and conflict—where the balance of power has been changing over the last decade. The *Zapatista* movement in Chiapas has declared that this project will not be implemented without incorporating the views of indigenous peoples residing in the region. The degree to which indigenous peoples succeed in having a say on the

“what, how, and wherefore” of this project will mark a major change in Mexico's regional politics.

The arrival of Fox in Mexican politics has sparked a chain reaction, due not so much to the president's particular policies or concrete actions but rather to indirect modifications in the frameworks of action of the country's diverse political actors. The question is, will these changes empower the Mexican community outside the country and the regional actors within Mexico in the face of a long tradition of authoritarianism and centralization? 

## Poverty continued from page 109

conditions of poverty, marginalization, unemployment, and hunger, the new presidency can start its job, at least, with the realization of how much they will have to do before achieving substantial goals in the promotion of social justice.

### THE SCOPE OF THE CHALLENGE

Last March, the Inter-American Development Bank (IDB) recognized Mexico's current income share as one of the worst in the world. As reported by *La Jornada*, at the end of 2000 the poorest 10 percent of the population earned

only 1.5 percent of total income, while the richest 10 percent accumulated as much as 42.8 percent of earnings and consumer goods.

Despite the fact that the country was recognized as the 13th largest world economy in 1999, the incidence of poverty has increased dramatically. According to the numbers of Mexico's most influential and independent researcher, Dr. Julio Boltvnik, 54 million out of 100 million Mexicans live in conditions of extreme deprivation (*La Jornada*, February 25, 2000; *Reforma*,

December 15, 2000). An estimated 60 percent of those are women and the distribution of poverty is greater in urban localities than in rural areas (32 million and 22 million people, respectively).

Taking a broader view of deprivation, approximately 62 percent of the labour force have daily incomes below US\$8.50, while 18.4 million Mexicans survive on less than US\$1.00 a day (*La Jornada*, March 14, 2001; *INEGI*, March 2001). The United Nations ranks Mexico 55th among 147 countries, according to their human development standards.

Submerged in a gradual process of structural adjustment, where privatization and deregulation have prevailed in order to protect the ongoing forces of global capitalism, Mexican people have experienced a steady drop in the purchasing power of their minimum salaries. Between 1994 and 1999, it reached a total loss of 40.7 percent. Special attention should also be given to the fact that the informal sector represents 44 to 55 percent of the labour force, employing an increasing number of people who are left outside the networks of social security (*La Jornada*, February 23, 2000). The absence of unemployment benefits seriously aggravates their situation.

While education is widely recognized as a driving force for development, there are still 6 million illiterate Mexicans and 18 million more who did not finish elementary school. According to the IDB, in 2000, Mexico stood in 10th place in the hemisphere with an educational average of only 7.3 years. It is acknowledged that the educational average would have to climb to at least 12 years in order to catch up to global competitive standards (*La Jornada*, January 31, 2001).

The lack of a universal health care system is revealed in the unacceptable number of Mexicans who suffer from malnutrition—from 40 to 65 percent. Further, there is only 1 doctor for every 800 people and 1.7 nurses for each of these physicians (*La Jornada*, January 11, 2000).

## PROMISES AND ACTIONS

During last year's presidential campaign, Fox stressed that poverty was the country's top problem. Among his considerations for resolving this problem, he suggested a social agenda based on fostering human development through investment and new opportunities. According to his approach, the best social policies emerge by fostering a strong relationship between social justice and a strong economy.

In office, through invigorated private investment, savings, and a redistributive fiscal policy—exemplified in a VAT of 15

percent on medicines, food, private education, and books, as some of the more controversial goods—the government has sought to reduce the internal debt, increase the nation's economic growth to 7 percent, and expand social programs in favour of the disadvantaged. With the implementation of a system of social banking, each Mexican is to be provided with an opportunity to become a small-scale entrepreneur. The model for local development in deprived areas will also operate to favour self-employment through a system of economic incentives directed toward productive capital.

The government's scheme to democratize the economy represents a selective and temporary series of interventions aimed simply at fostering the self-development capacities of poor individuals and communities, when what is required is the creation of more than one million new jobs per year, and significantly more adequate wages. Investment in education is expected to grow from 3.9 percent last year to 6 percent GDP over the short term. Education must improve in quality and accessibility for all Mexicans. Health care must focus on prevention. The structure being implemented encourages the formation of HMOs as a mechanism for opening the health care sector to private investors. Competition between different social providers is considered to be the key to providing better services.

Through the first five months of Fox's rule, the former administration's social programs that care for the poor have remained in place—Progresa, Liconsa, Fidelist, Vivah, and Crédito a la Palabra (*La Jornada*, April 6, 2001)—the first two provide subsidies for education, health, and food. The third offers a free kilogram of tortillas to poor families, the fourth promotes low-cost housing, and the fifth grants credit to rural producers.

There are already many critics of the government's lack of visible action toward alleviating conditions for the have-nots. A noisy international symposium was organized by the federal govern-

ment last March, for discussing concepts and measurements of poverty.

Dr. Boltvinik charges that the new authorities clearly do not know the poor and do not understand the conditions in which they live. The government's diagnosis is not accurate. Their programs encourage social segmentation by implementing criteria that exclude many of the deserving population.

## FINAL REMARKS

It is unrealistic at this early point in his presidency to judge whether Vicente Fox's intentions and actions for changing Mexico will or will not succeed in promoting the general welfare and upward mobility of Mexican citizens. However, it is critically important to recognize what steps need to be taken by both economic and political actors, in relation to specific issues, to achieve social justice.

The controversy over social spending, the new legislation on ethnic rights, tax reform, and the persisting conflict in Chiapas are already top national priorities. Yet an emphasis on deterring the old regime practice of using social programs to manipulate voters and reinforce corruption seems to have become the "*nouvelle raison d'état*."

This government's honeymoon with the people came to an end upon taking office. While there are concerns in Mexico over the potential pervasive effects that the current crisis of the U.S. economy may have, there is optimism that good political governance can be achieved. To this end, there must be recognition that poverty is not only a matter of quantitative numbers, raising or lowering taxes or even ambitious policies; rather eliminating poverty is a multidimensional task where human rights and horizontal democracy play a key role in empowering the poor. The goal is possible.

Our hope is that genuine leadership, political will, and consensus will prevail over particular or sectarian interests. Only then will there be conclusive evidence that we can speak of a "new Mexico"—a place where the common good far outweighs the difficulties. ♣

# Building a liberal state in anti-liberal Mexico

## LIBERALISM AS A POLITICAL MYTH

For a century and a half, liberalism has been a unifying political myth in Mexico. It really started in the 1850s and 1860s when liberal forces headed by President Benito Juárez led the charge against the conservative order and its main pillar, the Catholic Church. From then on, *liberalismo* in Mexico has been a comforting code word, conjuring up the heroic triumph of republicanism, secularism, and progress. Yet, if liberalism (and anti-conservatism) has been present as a *unifying* myth, it was not nearly as conspicuous as a coherent set of political ideas, providing guidance for practical action.

The liberal tradition, though present since the independence—thanks to the intellectual leadership of José María Luis Mora (1794-1850), Melchor Ocampo (1814-61), Ignacio Ramírez (1818-79), Guillermo Prieto (1818-97), Ignacio Manuel Altamirano (1834-93), and Justo Sierra (1848-1912)—has been politically marginal. In the 19th century, this was due in no small measure to its dangerous liaison with Jacobinism, positivism, and even dictatorship—as in the “liberal” dictatorship of Porfirio Díaz, from 1876 to 1910. Juárez himself was fairly authoritarian and refused to leave office (death forced him to). Arguably, the Mexico of the “institutionalized revolution” (1910-2000) featured only two liberal presidents: its first (Francisco Madero, from November 1911 to February 1913), and its last (Ernesto Zedillo). During that period, few intellectuals took up the torch of liberalism: Daniel Cosío Villegas (1898-1976), Octavio Paz (1914-1998), and their disciples in academe, literary magazines, and publishing houses. Revolutionary nationalism, populism, and socialism were general and dominant passions of the time in both the political and the intellectual milieux.

BY YVON GRENIER AND  
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## LIBERAL VALUES AND INSTITUTIONS

Liberal values of individual liberty, impartiality, pluralism, tolerance, and universalism are logically connected to liberal institutions such as political democracy and capitalism. Yet, historically, they have not always come together. Capitalism is possible without democracy and democracy is probably impossible without capitalism. The waves of democratization in Europe after the Second World War and following the collapse of the Soviet empire, as well as in Latin America during the past two decades, indicate that capitalism and

democracy can prevail without much of a liberal political culture as a foundation. The United States of America is where, oddly enough, *liberalism* is mostly a pejorative term and probably represents the only country in the world where liberalism has been the dominant political tradition in modern time. As Lionel Trilling would say, it has been the *only* political tradition. Even the *patrie* of Benjamin Constant and Alexis de Tocqueville is hardly one of liberal tradition. All of which to say, the democratization and liberalization of an anti-liberal country such as Mexico is not, in and of itself, an unprecedented event.

## A QUIET REVOLUTION

Liberalization and democratization in Mexico remains an interesting case study because the impetus for its realization came from the old regime itself. The election of Fox and his Alliance for Change (made up of the conservative PAN and a small ecologist party) represented only a moment (admittedly, one of climax) in a process of liberalization and then democratization. This process was undertaken under Presidents Miguel de la Madrid (1982-1988), Carlos Salinas de Gortari (1988-1994), and, above all, Ernesto Zedillo (1994-2000). Gradually, these reform-minded technocrats dismantled parts of the corporatist state built, at a time when it made some sense, by President Lázaro Cárdenas (1934-1940). They liberalized the economy and enhanced civil and political liberties. Their efforts infuriated members of the old guard of their single-party state. Some of them left the party in 1988 to create the nationalist and populist PRD, which in many ways was an orthodox PRI.

The presidential elections of 1988 were notoriously fraudulent. However, these and the subsequent ones allowed the opposition to prosper in Congress, in the states, and in municipalities. By mid-

2000, most Mexicans were ruled by non-PRI parties at the municipal level, and the opposition controlled the Lower House of Congress and 11 governorships out of 31. Most important, in 1996 President Zedillo completed the reform of the electoral system launched with the creation of the Federal Electoral Institute (IFE) in 1990. And then in July 2000 came the unthinkable: the peaceful and democratic transfer of power from one top executive to another, for the first time in the history of Tenochtitlán, New Spain, Mexico.

True, the same period saw the double assassination in 1994 of presidential candidate Luis Donaldo Colosio and of the PRI's secretary-general, Jose Francisco Ruiz Massieu, the uprising in Chiapas and its mishandling by the federal government, and the corruption and assassination charges against former president Salinas and his brother. This political turmoil came on top of all the other predicaments of poverty, inequality, corruption, exclusion, violence, environmental degradation, and then some. As Octavio Paz once said, to commend the PRI we would have to borrow some of the terms used by Marx to praise the bourgeoisie. Still, this kind of peaceful transition from authoritarian rule, initiated and planned by the old regime itself, is nothing short of exceptional.

## EVOLUTION TOWARD A LIBERAL STATE

A number of factors pushed the ruling elite toward the path of liberalization in the 1980s and democratization in the late 1990s: internal pressures resulting from demographic and social trends, essentially, urbanization, and intertwined external and internal factors deriving from the bankruptcy of the anti-liberal model of development in 1982. Mexico joined the GATT in 1986 and NAFTA in 1994. The latest wave of liberalization and democratization throughout the world arguably had a demonstrative effect in Mexico, particularly on the youth, the middle class, and, above all, the most educated sectors of society. Finally, President Ernesto Zedillo and his team deserve credit for taking the steps that they did

The waves of democratization in Europe after the Second World War and following the collapse of the Soviet empire, as well as in Latin America during the past two decades, indicate that capitalism and democracy can prevail without much of a liberal political culture as a foundation.

not *have* to take. The Mexican government never faced a blockade like South Africa or a complete implosion like the Soviet Union. Fidel Castro faces even more pressures and so far he has not changed his regime's political practices.

Both Presidents de la Madrid and Salinas were groomed in the PRI and the latter at least professed anti-neoliberal sentiments before becoming president. Yet they both saw economic reforms and liberalization as a necessary *raison d'état*. President Zedillo, whose liberal credentials are more solid, was also a career bureaucrat from the PRI, a U.S.-educated economist, like Salinas, for whom liberalization and democratization are logically connected. Rather than being or becoming liberal, they ended up *statesmen* and bought into a model of state that is now a passport to respectability in the developed world—the liberal state.

We are not witnessing the triumph of *la pensée unique* in the world, but rather of *les institutions uniques*. These institutions can accommodate a variety of political perspectives, from Hugo Chávez's to Vicente Fox's, from Jean-Bertrand Aristide's to Fernando Enrique Cardoso's, to say nothing of the likes of Berlusconi, Haider, Putin, and others. Neither Fox nor the PAN is liberal *stricto sensu*, although the PAN is not as anti-liberal, right wing, and integrist as the PRI and the PRD would like us believe. As it is well known, Fox's cabinet is filled with former leftists such as Adolfo Aguilar Zinger, Jorge Castañeda, Joel Ortega, business

people, who are now heading PEMEX and the secretaries of energy, tourism, communications, and transport, and orthodox economists, most prominently, the secretary of finance. All have become *statesmen* with little or no political experience. Fox himself has a MBA for *management* rather than economics.

For the first time in the modern history of Mexico, the new president comes from the private sector, albeit not directly. He was a member of Congress from 1988 to 1991 and governor of Guanajuato from 1995 to 1999. Like many people who voted for him, he wishes to draw to a close what the so-called *científicos*, conservative liberals influenced by French positivism, embarked on a century earlier—the modernization of the Mexican state. For Fox, this means streamlining the state bureaucracy along a “total quality” approach, boosting tax revenues, and getting excellent voting from credit-risk agencies. It is also important, apparently, to do all this while respecting the law and the democratic rules of the game. In a recent official ceremony, Fox did not mind saying that Benito Juárez was “the most universal Mexican of our history.” No doubt he had in mind Juárez the president, not so much Juárez the liberal icon.

History books often present Mexico as the land of “liberalism without liberals.” For the first time, it has a true liberal state in construction. It will be interesting to see if this will foster the development of a strong liberal political culture too. ♣

# The Mexican energy sector under the Vicente Fox administration

BY ROSÍO VARGAS

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The energy policy under the Fox administration is still a work in progress.

Energy reform is perhaps the third most important issue for the Fox administration after cultural and indigenous rights law and the new fiscal policy proposals. Throughout his presidential campaign, Fox referred to the energy sector in terms of openness and privatization, particularly before the American public. However, before the Mexican public, his statements acquired a different tune and content. He compromised on earlier statements not to privatize either PEMEX or the Federal Commission of Electricity (CFE). Where does energy reform stand after six months under the Fox administration?

## ENERGY POLICY: A WORK IN PROGRESS

The energy policy under the Fox administration is still a work in progress. Most importantly, Mexico is participating in a process led by the United States—the institutionalization of a North American energy market—but there are many issues that are not resolved.

In the oil sector, *Petróleos Mexicanos* (PEMEX)—one of the leaders of national development—will continue to operate as a state firm. The macroeconomic importance of oil income for Mexico is well known. For the year 2000, hydrocarbons represented 3 percent of GDP. In budget terms, this represents a contribution of 36 percent. The strategy for the future of PEMEX is to modernize in order to be competitive with international oil industry levels of performance. This is one of the explanations for the integration of an eight-member advisory council, who will support PEMEX board of directors' decisions, having a voice although no vote at meetings. A second step toward modernization proposed by Fox is integral fiscal reform—designed not only to fulfill the economic program but also to aid the industry's drive to modernize by retain-

ing part of its income for reinvestment in PEMEX-defined priorities.

In spite of significant levels of oil production—three million barrels a day—PEMEX has difficulty supplying the refining and natural gas industry. This difficulty will have to be overcome by increasing imports of both fuels. The petrochemical industry has also faced obstacles in the privatization process. In the rest of the industry, private investors are expected to be introduced under the modality of “creative investment schemes.” To this point, private capital has been working with PEMEX through so-called service contracts, in several areas of the industry. Upstream activities, such as exploration and development, are not open to private investors. (See the table on the facing page.)

In the electricity industry, the main problem is financing. Official documents estimate that \$5,000 million annually is required to meet supply and demand; this is between 6 to 7 percent of the annual rate. During President Zedillo's administration, an electricity reform was proposed. The intent was to increase and encourage the private participation already existing in this sector (self-generation, co-generation, and

small production of power), as well as for other activities such as distribution, commercialization, and generation. Nevertheless, the Mexican Congress did not approve the proposal. It is not clear if the new administration will adopt the same electricity reform proposal or introduce changes. Meanwhile, the sector is being prepared to implement market mechanisms, such as the creation of a wholesale market to attract risk capital to the industry.

## THE CONSTITUTIONAL QUESTION

The energy sector faces a different kind of dilemma. The reforms already implemented such as the partial electricity sector openness (1992) and the natural gas reform (1995), have fulfilled their goals and met their targets. Government argues that its revenue base is reaching its limits. Even in terms of raising monetary resources, these are better oriented to social and educational programs. In the case of natural gas, the level of investment required to increase the non-associated natural gas supply is tied to the annual approval of the Treasury Ministry and the House of Representatives and not enough money has been set aside for new developments. It is therefore obvious that major changes are necessary to attract risk capital. However, a paradox arises due to the new political spectrum in Mexican society. One of the results of increased democracy is that the pluralism practised by the divided Mexican Congress has refused to give Fox *carte blanche* to privatize the publicly controlled energy sector.

In order to implement the necessary changes to open up the sector to private investors, President Fox must convince the opposition to modify secondary rules (PEMEX procedural rules) as well as to amend important constitutional articles 27 and 28.



Article 27 states that

[t]he domain of all natural resources belongs to the Nation ... fuels, minerals, oil and all hydrocarbons ..., no concessions are allowed in the case of oil, solid, liquid and gas hydrocarbons ..., the Nation is in charge of exploitation of all these products ...

Article 28 states that

[i]t does not constitute a monopoly the exclusiveness of State functions in strategical areas; ... oil and the rest of hydrocarbons; basic petrochemicals, electricity, nuclear energy etc. ...

These constitutional reforms would require a qualified majority in Congress (two-thirds of balloting) and a simple majority of 51 percent in the 32 local congresses. While the National Action Party (PAN) will support the presidential proposal, Fox needs support from the Revolutionary Institutional Party (PRI). It is not clear how the PRI will vote. The Democratic Revolutionary Party (PRD) opposes radical changes to the constitution but favours the introduction of different possibilities or financial schemes to encourage private investors. Therefore, the opening of the sector is likely to continue in a slow and gradual way. At the moment, the most realistic approach to achieve openness is the secondary rules for private investors.

## A NORTH AMERICAN ENERGY MARKET

As for the big picture, the Fox energy project seeks to “make real” the old U.S. proposal to create an integrated energy market between the three NAFTA partners. The energy integration discussion is not new, but in the Mexican case it has been accelerated by NAFTA and today is part of a bilateral agenda with the United States. This change may be the result of the hardening of the U.S. foreign policy toward Mexico and the disposition of the Mexican administration to give in to the U.S. demands to avoid pressure. It also certainly has to do with changes in Mexican foreign policy.

## Oil Products Foreign Trade 2000 (Thousand of barrels a day)

	Oil	GLP	Gasoline	Fuel oil	Diesel	Natural gas (MMcfd)	Petrochemicals (Tt)
Exports	1,652	5.5	69.7	0.1	4.4	23.6	1,116.2
Imports		122.5	90.6	116.5	27.7	231.4	317.3

Source: PEMEX, Indicadores Petroleros, México, Petróleos Mexicanos, [www.pemex.com/eimporpetro.html](http://www.pemex.com/eimporpetro.html).

GLP=LP Gas MMcfd=Millions of cubic feet daily Tt=Thousand of tons

Mexico negotiated for an immigration agreement and for the possibility of exclusion from the annual certification process on drug-dealing activities. This is an annual U.S. congressional procedure for approval of cooperation strategies. Fox indicated approval for Bush’s demands to consolidate the North American energy market, although it is not clear what was really negotiated. The details are few and there is no clear framework. There is interest in Mexico to develop the non-associated natural gas resources found in the northeast of Mexico in the Burgos and Sabinas Basin and also in the gulf of Baja California. There are two types of gas reserves: associated reserves and non-associated reserves. Associated reserves are found with petroleum and most of these are located in the Campeche Gulf where oil production is very important. Non-associated reserves or dry gas can be found with or without oil. A long-term goal is to make Mexico a net natural gas exporter. At present natural gas exportations are virtually insignificant—0.53 percent in 1999 and .035 percent in 2000. According to estimates, Mexico will be a net importer for the next 10 years and later, depending on non-associated gas production, could become a significant exporter.

In the electricity sector, it is expected that 1,600 MW of power capacity will be built on the northern Mexico border to help solve California’s energy crisis and generate hundreds of millions in new energy revenues. Since January 2001, Mexico has been exporting electricity to California at US\$195 per megawatt hour. From January 16 to February 28, the value of these electricity exports was

US\$3,278. The main source of power is fuel oil, 45 percent in 2000, with hydro resources contributing only 17.3 percent. Natural gas is expected to play a major role in the future.

All evidence indicates that Mexico will continue to play the role of crude oil supplier to the continental market, with 80 percent of its exports going to the United States. In the natural gas sector, border infrastructure is being improved to enhance trade with the U.S. southern market, and there is one proposal to leave the private sector in charge of LPG imports. Under Bush’s proposal, Mexico’s collaboration is helping to solve California’s electric sector problems. With the possibility of blackouts in Arizona and perhaps even in New York, there is talk of building generation facilities in Mexico to export to the United States as a sort of electricity *maquiladora* industry.

As we can see, integration has mainly occurred with the United States and in some ways the United States defines the modality, depth, and rhythm of the Mexican energy sector. Mexico’s relationship with Canada is limited to technology imports, although there are Canadian investors in the oil industry as well as in the electricity industry.

The U.S. interest has always been to guarantee open access to Mexico’s oil supply, as with Canada’s oil resources, and to let foreign investors participate in hydrocarbon upstream activities. But again, this requires a constitutional change that must be approved by a Mexican Congress, and Fox will have to persuade the Congress about the “goodness” of such concessions. ❀

# A much-needed fiscal reform

BY CARLOS ELIZONDO MAYER-SERRA

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The difficulty in collecting taxes is one of the biggest challenges the Fox government will face in order to invest in the public goods that can consolidate the economic reforms of the last decades.

For a variety of historical and structural reasons, the Mexican state has been particularly ineffective in collecting taxes. The government's ability to collect taxes is one of the lowest in Latin America. In spite of several tax reforms that have taken place over the last 20 years, government tax revenue has not increased and has remained dependent on oil. Thanks only to the containment of public expenses since the debt crisis of 1982 has Mexico managed to avoid the hyperinflation experienced by other countries in the region. This avoidance has occurred, however, only at a very high cost in terms of the capacity of the state to tackle poverty and invest in much-needed public goods.

The difficulty in collecting taxes is one of the biggest challenges the Fox government will face in order to invest in the public goods that can consolidate the economic reforms of the last decades. More revenues are also needed to make democracy something more than the mere act of electing a government. For decades, Mexico was governed based on exclusions. The new administration needs to give each Mexican a minimum set of political and social rights.

## BROADENING THE TAX BASE

Sound public finances are needed for macroeconomic stability. However, if sound public finances are arrived at only through sacrificing expenses, public goods and citizen rights will be left wanting. According to the OECD, Mexico needs to spend more to provide better quality education, health, and infrastructure as well as to fight against poverty. Additional public resources can be generated only through an increase in tax income.

Historically, democracy has implied that voters demand better and more reliable public services and a wider set of effective rights. Democracy must transform clients into citizens with rights. These

rights can be financed only with taxes. If democracy doesn't have the capacity to respond to the voters' needs, then its consolidation will be more difficult.

Capitalism has implied, as a result of creating and distributing wealth from private initiative and decentralized institutions such as the market, an unequal distribution of property. Democracy, based on the principle of equality of opportunities—"one individual, one vote"—can confront these disparities through a fiscal policy agreed upon by representatives elected by all adult citizens.

Mexico's low fiscal capacity has historically led to one of three scenarios. First, the critical situation that occurred in the first half of the 19th century, when not even the army could be financed, leading to innumerable rebellions.

Second, high public deficits have resulted from confronting increased social demands, without paying the political cost of higher tax revenue. This was the case during the tenures of Echeverría and López Portillo, when new public debt and oil revenue allowed high public expenditure for 12 years, until the 1982 crisis forced the government to make a severe adjustment.

Third, we have those periods when income is enough to allow governability, but low revenues imply that balanced public finances are achieved as the result of very low public expenditure. An extreme example of this took place during the long stability of the Porfirio Díaz government, in the last decades of the 19th century, but this stability was achieved thanks to the provision of only some basic public goods and virtually no social expenditure. By 1910, 70.2 percent of Mexicans were illiterate. A less extreme case, but equally politically unsustainable, has taken place since the 1982 crisis. Relatively balanced public finances have been achieved only thanks to the lack of public expenditure in critical public goods and social investment. Governments have been aware of the need for a significant increase in tax revenue, but have lacked the political and administrative strength to conduct a fiscal reform that increases revenue in a significant and sustainable way.

## TAX REFORM: WHO HAS THE MONEY?

This recurrent failure is the result of the political logic of the Priista regime, which was based on conceding privileges to key sectors. Tax exemptions have been concentrated in those groups that were politically more important. A regime based on the politicization of the administration cannot construct an effective tax administration. A very low legitimacy,

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# Continuity in labour policy: Early signs

BY GRACIELA BENSUSÁN

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Despite the initial talk that the new Fox government would move quickly and with determined will to democratize Mexico's labour system, this will not happen quickly or automatically within the political transition taking place.

When Fox was elected president, there was hope for badly needed, long-overdue reform of Mexico's collective bargaining and labour relations practices. It was hoped that the much-needed labour reforms would become a central part of Fox's national agenda and would play a key role in revitalizing political democracy in Mexico.

During his campaign, he accepted the "20 Commitments for Labour Union Freedom and Democracy" and promised to use them to overhaul Mexico's labour relations. So far, despite high expectations, this has not happened. Instead, Fox, like his predecessors, has accepted the status quo and given Mexicans more of the same.

## LABOUR REFORM UNDER FOX

Fox's "new" labour reform initiatives share many similarities with the earlier labour initiatives of the PAN and PRD parties. In general terms, they have all started from the same proposition—the need to liberalize the rules of the game in the workplace, while at the same time eliminating institutional ties to the PRI and increasing transparency throughout the system.

Some of the proposed changes include registering labour unions along with their leadership with the government-sponsored labour tribunal; the creation of a public registry of labour unions and collective bargaining units; the election of union leadership through secret, direct voting by all union members; the right of individuals to join or not join unions; properly supervised certification practices that would give workers the right to choose the union of their preference; secret direct voting by all union members in certification elections; the elimination of sweetheart contracts; and new legal and institutional guarantees to prevent corruption and wrongful discharge. In short, the proposed changes would mean a modern collective

bargaining system that would be autonomous and independent and able to ensure labour justice for Mexican workers.

Even before President Fox took office there were signs that his commitment to fulfilling his campaign promises to bolster union freedom and enhance democracy was beginning to fade. It became apparent that he intended to maintain the same general economic policies toward union and labour reform without any fundamental changes.

The original impetus for the Mexican system of industrial relations emerged from the Mexican revolution. It was a largely corporatist model of labour relations that also related to Mexico's national economic model of develop-

ment. This meant a highly formalistic system of labour relations characterized by cooperation with employers suspicious of any attempt on the part of Mexican workers to develop an independent voice in labour relations. The corporatist model of Mexican labour relations excluded too many workers from joining unions, often accepted sweetheart contracts that kept wages down and labour standards unenforced. Mexican workers have never had full industrial citizenship in the workplace, as Canadian workers attained through post-war labour reforms, which transformed Canadian industrial relations practices.

## A NEW DESIGN

A new design for Mexico's labour system needs policies and practices that would facilitate investment of public and private resources in training, high levels of productivity, and health and safety protection with the end of supporting higher wages and better living conditions for Mexican workers. To take this step would also require institutionalizing the reforms and reaching agreements among all social actors involved. Most importantly, the reforms would have to strike a balance between labour and industrial public policy needs and the rights and obligations of the private sector.

The appointment of Carlos Abascal, the former COPARMEX president, who promoted the Worker-Management Dialogue for a "New Labour Culture" in 1995, as the new secretary of labour and social security (*Secretario del Trabajo y Previsión Social*), sparked much concern when he was appointed to lead Fox's labour transition team. He has very close links to employers and is passionate in his public statements, which have a strong religious component and conservative view of society.

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Other key members appointed to his team in the Department of Labour and on the Federal Labour Relations Board (*Junta Federal de Conciliación y Arbitaje*) have very strong links with employer associations and have made it clear that employers will continue to define labour policy in Fox's new Mexico.

## MORE OF THE SAME

Fox's own public statements confirm that labour policy will remain the same as in the last three administrations. He has publicly supported labour leaders who were selected through anti-democratic internal processes. He has also delayed the reform of legislation until he has succeeded in forming a consensus with key industries. Since this may not happen for some time, the whole process has been bogged down and has lost any sense of urgency.

His administration refused to recognize the demands of the strikers in the sugar refineries, when it was plain to everyone that their grievances were legitimate. In the key area of minimum wages, he has followed the same restrictive policies as the preceding three administrations. None of this augurs well for labour reform in Mexico.

There are other signs that the Fox administration is interested, not in innovation, but in supporting past practice. The only innovation has been to include the National Union of Workers (*Unión Nacional de Trabajadores* (UNT)), created in 1997 by breakaway labour unions from the Congress of Labour (*Congreso del Trabajo* (CT)), as well as other rank-and-file unions not linked to the government. The groups for genuinely autonomous worker organizations want to change the way collective bargaining is carried out with the government.

What has made the labour scene even more complicated is that the National Federation of Independent Labour Unions (*Federación Nacional de Sindicatos Independientes* (FNSI)) was invited to the table. There is little that is reformist about its goals and practices.

A new design for Mexico's labour system needs policies and practices that would facilitate investment of public and private resources in training, high levels of productivity, and health and safety protection with the end of supporting higher wages and better living conditions for Mexican workers. To take this step would also require institutionalizing the reforms and reaching agreements among all social actors involved.

It has a long history as an employer-sponsored union with many links to powerful corporations in Monterrey, in northern Mexico close to the U.S. border. Monterrey businessmen have acquired influence and power within the new Department of Labour and Social Security and many expert observers are not surprised that the NFILU was invited to be part of sector economic pacts. Legitimate reformers were angered by the attempt of Monterrey interests, under the mantle of reform, to give credibility and respectability to the NFILU, which it does not warrant in the least.

In the end, due to internal problems within the organization, the autonomous unions of the UNT did not come in from out of the cold. The UNT also demanded guarantees of power sharing that would ensure that it would have a real effect on the Council for Dialoguing with Productive Sectors. This body is one of Mexico's peak labour institutions charged with forming sectoral agreements with employer and worker organizations.

## THE ISSUE OF REPRESENTATION

The way the Fox administration handled this episode reveals its limited intention to create a level playing field on which workers' duly elected leaders defend the interests of union members. The issue of representation is also important in terms of the democratic composition of the council. Businessmen are doubly represented in this body and also fill important posts in the Department of Labour and Social Security. Furthermore, many of the trade union representatives who are appointed to the council come from organizations whose internal procedures and practices do not meet rudimentary democratic standards—often those who can vote are restricted by exclusionary clauses.

If all of this sounds very pessimistic, it is. The broom of reform has not changed very much in the way Mexico's labour governance bodies operate nor are the results any more equitable.

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# From free trade to the basics: Cross-border civil society cooperation in Canada and Mexico

Over the past decade, Canadian and Mexican civil society organizations have experienced a flowering of cross-border cooperation. From only sporadic interactions before 1990, labour, women's, human rights, church, environmental, indigenous, and student groups from the two countries have forged mutually rewarding bonds that appear to grow stronger as time passes. Along the way, a plethora of unique, non-traditional forms of cooperation have been born, from Canadian solidarity groups for the *Zapatistas* and indigenous people of Chiapas to Canadian campus organizations sympathetic to the recent student strikers at the National Autonomous University of Mexico.

## FROM NAFTA TO THE FTAA

The trigger and target of course of much of this bonding was the North American Free Trade Agreement (NAFTA). In the early days of opposition to NAFTA, Canadian member organizations of the Pro-Canada Network (PCN) established lasting links with their Mexican counterparts. In fact, the PCN served as a model for the creation in April 1991 of a similar Mexican umbrella organization, the Mexican Action Network on Free Trade (RMALC). NAFTA also had the effect of focusing Canadian attention on other related issues during the early 1990s. This includes the Mexican government's record on human rights, democracy, and the environment. Canadian groups lent their support to such causes as combating the dismal working conditions in northern Mexico's *maquiladoras*, the *Zapatista* struggle for social justice, and the Mexican Civic Alliance's efforts for free and fair elections.

Just as trade has driven the official bilateral agenda between Canada and Mexico since 1990, it has also been the

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Similarly, Canada's civil society and political society (formal political institutions and political parties) are at a different historical point from Mexico's.

catalyst behind deepening cross-border civil society cooperation. No sooner was the ink dry from signing the NAFTA than the Canadian and American governments were at the forefront of new efforts, captured in the Miami Declaration of December 1994, to negotiate a hemispheric free trade area of the Americas (FTAA) by 2005. Working in unison, Canadian and Mexican social organizations have been at the vanguard of resistance to the proposed agreement. The diverse membership of the Canadian umbrella organizations Common Frontiers and the Americas Policy Group together with RMALC were among the founders of an Americas-wide opposition movement to the FTAA in 1997, the Hemispheric Social Alliance (HSA). RMALC provides the secretariat for the HSA. At the recent Quebec Summit of the Americas, Canadian and Mexican

partners in the HSA figured prominently as organizers and participants in a parallel event, the People's Summit, and as protesters on the streets. "Another Americas Is Possible!" became their rallying cry.

## CROSS-BORDER COOPERATION

Despite fruitful relations, cross-border cooperation has had plenty of challenges. First, one might ask how much Canadian and Mexican civil society partners have in common. Through fact-finding missions, international events, and cross-cultural exchanges, the on-going struggle against free trade has certainly helped hone a set of common positions and values: fair trade, women's empowerment, economic justice, direct democracy and accountability, and environmental sustainability.

On the flip side, significant differences in experience exist. For example, in Canada much of the current policy debate centres on how to maintain existing living standards and social indicators of development from deterioration, while in Mexico the concern is how to improve these. Notwithstanding its own problems of child and indigenous poverty, gender inequality, affordable housing, and regional disparities, Canada scores much higher than Mexico in terms of human development. To some degree, then, bread-and-butter economic issues do not necessarily equate in the two countries. Canada is experiencing the aging of its population while Mexico has a markedly younger age structure. Similarly, Canada's civil society and political society (formal political institutions and political parties) are at a different historical point from Mexico's. That is, whereas Canadian unions, religions, and political parties all appear to be in decline, recent democratization

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has coincided with an effervescence of Mexican civil society and a newly competitive party system. Voter alienation may suggest that liberal democracy may be in crisis in Canada but the verdict is still out on Mexico's brand-new democracy.

## THE CHALLENGES OF CIVIL SOCIETY PARTICIPATION

Second, there are a host of questions raised by the overarching pattern of Canada–Mexico civil society cooperation. On the whole, political protest and resistance have been the mainstays of combined collective action against free trade, the former Mexican dictatorship, neo-liberalism, and globalization. The contentious, political nature of this struggle creates some formidable challenges.

One has to do with forging a positive public image and winning popular support in an ongoing public relations battle with authorities. As illustrated at the Quebec Summit, while these Canadian and Mexican social actors remain undaunted, they must fight an uphill battle against stereotypes that they are economically illiterate and ill-informed, extremist, destructive, confrontational, offensive, and negative. Pointing to what they consider to be a profound crisis of representation underpinning the “undemocratic” FTAA negotiations, protesters struggle to present themselves as the “people” and as the representatives of the underrepresented. Yet they are criticized by many for their own alleged lack of democratic credentials (who elected the protesters?). Furthermore, after winning the first democratic election in 71 years, Mexico's president is acutely sensitive to charges that he and other leaders at the Summit are undemocratic.

Given the fact that protests such as Quebec City draw a disproportionate number of relatively privileged white, educated, middle-class protesters, Fox and others also seriously questioned how representative they are of the masses they claim to represent: “It's very easy to come and protest in Quebec City when you have a full belly.”

If there is an anti-globalization or anti-FTAA movement, it does not have a clear leader, or centre, or even an accepted name.

Another challenge for Canada–Mexico civil society cooperation concerns getting the message out. On the one hand, while the anti-FTAA or anti-globalization frame seems to distill the issues for protesters in terms of justice, fairness, and dignity, the question is whether it does so for the broader public. While former single-issue struggles against the Vietnam War or apartheid galvanized support, the multi-issue, nebulous nature of the FTAA or globalization is extremely difficult to articulate meaningfully for popular consumption. On the other hand, getting the message out is compounded by the diffuse, heterogeneous, and informal mobilizing structure of transnational social movement formation. If there is such a thing as an anti-globalization or anti-FTAA movement, it does not have a clear leader, or centre, or even an accepted name.


## TRANSNATIONAL COALITION BUILDING

A further challenge is that as Mexican and Canadian civil society efforts turn from bilateral or trilateral concerns to transnational coalition building in the Americas against the FTAA, the object of their collective action becomes less clear. While local and national struggles have the advantage of focusing a sustained attack on a visible, tangible objective, the transnational arena is more vague. Given that the typical goal of social movements has historically been to disrupt public order, attract sympathetic media attention, and thereby compel authorities to negotiate, the multiple levels of transnational struggle may lead to the HSA scattering its shots. Moreover, authorities traditionally bow to *sustained* pressure from social movements. The event orientation of transnational protests in the Americas

such as Santiago, Seattle, Windsor, or Quebec City means that heads of state or international bureaucrats do not have to endure protest for long.

## IS THIS THE ONLY WAY TO FIGHT NEO-LIBERALISM AND GLOBALIZATION?

Ultimately, these challenges facing Canadian and Mexican civil society partners call into question their chosen battleground—hemispheric free trade. Is this the only way to fight neo-liberalism and globalization? Is the battle against the FTAA the best use of their precious resources and skills?

Instead of jet-setting to the next parallel summit location, perhaps Canada's and Mexico's civil society leaders and organizations might better invest their energies and resources in a return to the basics—that is, they might consider greater cooperation in localized grassroots or community initiatives. In Mexico, for example, after years of dictatorship, the social forms of intermediation between state and society must be completely recreated, from the local to the national level. Workers, farmers, and indigenous people all require new, autonomous interlocutors to represent their interests before the state. Mexico's ruling National Action Party (PAN) has very weak organizational links with the majority of the Mexican population, leaving the latter potentially underrepresented. At the same time, democratic consolidation is an ongoing process that will benefit from the further strengthening of Mexican civil society. While the struggle against the FTAA and strengthening Mexican civil society and democracy are not mutually exclusive, both are equally valid areas for future cooperation among Canadian and Mexican social organizations. 

# Trading free trade after NAFTA: Do parties play by the rules?

One major reason for both Canada and Mexico in joining NAFTA was to make the United States play by agreed-upon rules in terms of trade. The abuse in the implementation of trade remedy laws by U.S. agencies and the protectionist legislation passed by Congress during the 1970s and the first part of the 1980s became the context under which Canada first, and Mexico thereafter, joined the free trade credo promoted by Washington. “Guaranteed market access for goods and services under transparent rules” became the banner under which the U.S. neighbours entered negotiations with Washington. As for the White House, it was clear from the beginning that free trade diplomacy had less to do with economic gains and more with political calculations.

## TRADE POLITICS

For the United States, the signature of bilateral, in effect, “minilateral” trade agreements with its most important trade partners had become an opportunity for advancing and reinforcing its major goals pursued at the unilateral and multilateral fronts. Since the *Trade Act* of 1974 and the *Omnibus Trade Act* of 1988, an aggressive Congress, concerned by the widening of the U.S. trade deficit and the decline of the competitiveness of the American economy, made trade retaliation a legitimate tool for promoting what Americans have called “fair trade.” By the latter, Washington has understood that U.S. trade partners must compete with the United States on the same basis that the United States is competing with them. To “level the playing field” became the buzzword under which Washington promoted its “free trade” diplomacy in bilateral and multilateral fora. Indeed, this was one of the major policy goals pursued during the negotiations with Canada and Mexico.

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Though NAFTA was justified in terms of economic gains, it is better to analyze the effectiveness of the trilateral trade regime according to the policy goals it really conveys. To assess NAFTA solely according to trade performance could be misleading. Take, for example, Canada-U.S. trade before and after the bilateral trade agreement signed in 1988, the so-called CUSFTA. Total Canadian exports to the United States witnessed a major growth both before and after the agreement. In other words, the CUSFTA itself did not create any significant change in Canadian export trends from those already witnessed, at least since the early 1980s.

However, at the sectoral level, some industries performed differently. While fuel and oil exports increased significantly in relation to the pre-CUSFTA period, exports in the transport sector witnessed the opposite trend. Should we conclude from this that free trade with the United States has become disadvantageous for a Canada-based automobile industry?

## WINNERS AND LOSERS

If we take imports into account, U.S. exports to Canada have increased significantly in relation to the pre-CUSFTA period. Does this mean that NAFTA has been more beneficial to American industries than to Canadian ones? It would be wrong to say that. We know that Canadian and Mexican trade with the United States is mainly intra-industry and that multinational corporations have internalized cross-border markets through intra-firm transactions. We also know that tariff rates between Canada and the United States and tariff rates between the United States and Mexico were already low before the agreement, and monetary and exchange-rate policies have had a bigger impact on trade flows than the sole phaseout of tariffs. Mexico’s booming exports after NAFTA could be partially explained by the major currency devaluation of early 1995 and the strength of the U.S. economy.

Thus, NAFTA should be assessed according to the main policy goals anticipated by its members when they signed the agreement. To this end, we should ask whether NAFTA has guaranteed access to the American market for both Canada and Mexico—that is, whether NAFTA has levelled the “playing field” for the three partners.

## CAN ACCESS BE GUARANTEED?

To be sure, NAFTA has made protectionist policies coming from the United States more manageable. The incorporation of alternative dispute settlement mechanisms, designed to operate on either adjudicatory or conciliatory bases, have modified the institutional context in which protectionist policies had taken place before the trade agreement was signed. Of the three cases arbitrated and finalized under Chapter 20,

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panel awards confirmed the complaints of Canadians (one complaint) and Mexicans (two) against the United States. Arbitrage panels under Chapter 19—that is, those reviewing the imposition of antidumping and countervailing duties by national administrative agencies—have been more popular. As of May 2001, 76 cases have been submitted; of those 22 have had an award and 21 have been suspended or the claiming party has declined its complaint. The remaining cases await decision. Most of the disputes under this chapter are related to dumping procedures, rather than subsidies, and most of the reviews target U.S. agencies.

Though panel procedures concerning dumping and subsidies have not been as speedy as anticipated, awards have not been challenged and panelists have proven to be professional and balanced. Seven out of 13 cases that reviewed U.S. agencies' decisions have been completely remanded. The rest have been either fully confirmed or remanded in part. That is, 50 percent of all awarded cases reviewing the administrative decisions of U.S. authorities have been judged as non-consistent with U.S. legislation. This rate of "success" benefiting either Canada or Mexico was much more elusive in a pre-NAFTA scenario, according to the empirical record shown by some studies (see, for example, Judith Goldstein in *International Organization*, Fall 1996). We could even say that, at least in the field of unfair trade practices, the playing field has been levelled vis-à-vis the other NAFTA partners. Two out of ten final awards reviewing Canadian agencies have been fully remanded, two have been remanded in part, and the rest of them fully affirmed. One out of five cases involving Mexico has been fully confirmed, and the rest of them have been fully remanded or remanded in part. In other words, Mexico is still on the learning curve for managing its rather recent unfair trade legislation.

One out of five cases involving Mexico has been fully confirmed, and the rest of them have been fully remanded or remanded in part. In other words, Mexico is still on the learning curve for managing its rather recent unfair trade legislation.

To judge NAFTA solely in relation to the final decisions of those disputes that passed through the whole panel procedure could be as partial as assessing the agreement focusing on trade performance. Many other trade-related disputes have emerged among the NAFTA partners without being resolved under the formal dispute settlement mechanisms. Take, for example, the tomato and avocado disputes between Mexico and the United States, or the *Helms-Burton Act*, which involved both Canada and Mexico against the United States. In the first case, price or quota undertakings were negotiated. In the second one, consultations were activated under Chapter 20 and the White House eventually declined to enforce the extraterritorial consequences of the Act. NAFTA's institutional obligations and enforcement mechanisms helped to defuse the problems and facilitated a compromise. Thus, can we say that at the policy level NAFTA has been a complete success? Such an optimistic conclusion should be tempered against some less optimistic evidence.

### THE LESS OPTIMISTIC VIEW

We could say that NAFTA has corrected some protectionist biases of the administrative agencies of the three partners; however, it has failed to deter strongly rooted protectionist interests in the region, in particular those coming from the United States. The saga of the

softwood lumber trade dispute between Canada and the United States epitomizes the nature of such conflicts among the partners. Though a panel decision under the CUSFTA agreement affirmed the Canadian stand, American lumber producers have been very successful in reactivating this case, eventually forcing a compromise on a classic managed-trade policy basis.

The U.S. government has also threatened to use unilateral measures as justified under section 301 of the *Omni-bus Trade Act*, a device that remains immune to the arbitrage mechanism of NAFTA. A recent case involving cross-border trucking traffic between Mexico and the United States shows how domestic protectionist pressures could compromise the United States' principled obligations with its partners. The panel simply rejected the way that U.S. authority abusively interpreted clear principles such as "national treatment" and "most favoured nation" as a mask for protectionist interests. The struggle of the Mexican avocado for access to the United States market presents a similar pattern of conflict and managed-trade solution. Furthermore, the recent Byrd amendment threatens to make dumping and subsidy complaints coming from United States producers more rewarding, due to the fact that producers will be allowed to directly collect the levied taxes if their complaints are confirmed.



These instances reveal that a level playing field is far from being attained. This is not because Canada and Mexico are not as market-oriented as the United States wishes they were, but because the United States remains the most protectionist party of the three countries.

After years of U.S.-led free trade diplomacy, Canada and Mexico are still learning to cope on two fronts opened by this venture. NAFTA not only promotes U.S. foreign trade interests abroad, it also attempts to work as an institutional constraint to deter protectionist pressures at home. The first goal has been successful so far, as witnessed not by trade performance but by the institutional changes it has provoked in Cana-

## NAFTA not only promotes U.S. foreign trade interests abroad, it also attempts to work as an institutional constraint to deter protectionist pressures at home.

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da's and Mexico's economic organization. As for the second goal, NAFTA is still far from levelling the playing field among its partners, this time vis-à-vis U.S. practices.

To be sure, U.S. protectionism has become more manageable under NAFTA, but it is still far from being policed under

trilaterally agreed-upon rules. If Washington wants to make its commitments toward the principled regime it is promoting more credible, it should campaign at home and abroad for the creation of a trade tribunal ruled by common trade legislation to which the three NAFTA partners abide on an equal basis. ❖

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## Fiscal reform continued from page 126

especially after the 1982 crisis made tax collecting more difficult.

The government of Vicente Fox is well aware of the need to raise revenues. It has the advantage of enjoying the legitimacy of having sacked the PRI in clean elections. One of its first important initiatives has been a tax reform based on eliminating most exemptions in the VAT and income tax laws, while lowering income tax rates. While technically correct, because it would create a less distorted and easier to manage tax system, such a reform is difficult to sell to the public and to Congress. Particularly as the two most visible features are taxing food and medicines, while diminishing the rate paid by the richest Mexicans from 40 to 32 percent.

Although Fox's popularity has been dented, the president seems determined to achieve tax reform. The new government, however, has exhibited its lack of experience. Before demanding higher taxes, more efficient and transparent government expenditure would have been helpful. Increasing VAT while lowering income tax for the richest at the same time made it an easy target. The president has carried most of the weight in his effort to promote the

## If the new government does not devise a different strategy to raise revenue, the Mexican state will continue to be unprepared to face the innumerable challenges of public safety, infrastructure, education, health, and justice.

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reform, but, in spite of his undeniable talent, he has been unable to convince society of its virtues. Moreover, the president's party does not have majority in any of the Chambers, so his popularity is not easy to transform into legislation without a careful negotiation with the PRI, an element that, so far, seems to have been absent. Fox's government has even been unable to convince his own party, the PAN, of the need to defend tax reform.

Fox had expected to have the reform approved quickly by Congress in April, before Congress was dismissed. He then thought an extra period could be agreed upon easily. However, it seems that without major changes, tax reform

will not be ready for an extra period and will have to wait until September, when Congress is obliged to meet again. Without any major change in the government's strategy and if the PRI remains united, it will be very difficult to pass Fox's reform in both chambers.

If the new government does not devise a different strategy to raise revenue, the Mexican state will continue to be unprepared to face the innumerable challenges of public safety, infrastructure, education, health, and justice. These challenges, all Mexicans agree, require strong public attention, but have not agreed upon the way to raise the much-needed public revenues to confront them. ❖

# Canada and Mexico after the Quebec Summit

Ottawa's instant love affair with President Vicente Fox showed no signs of diminishing after the Quebec Summit as the leaders of the Americas dispersed to their respective countries. Quite the contrary. The Summit—following on a hugely successful Mexican official visit to Ottawa—displayed a reassuring convergence of views between the two countries on a broad range of regional issues. Chrétien, Fox, and Bush spoke a common language at Quebec, standing together and meeting separately, to underline the success of NAFTA and continue the construction of a trilateral North America as the anchor of the Western Hemisphere.

No Mexican leader has ever enjoyed such depth of credibility and access in Ottawa as President Fox and his energetic team; no fewer than 15 ministerial visits have already taken place since Fox's inauguration in December 2000. He could also build on a remarkable decade of broadening and deepening in the bilateral relationship since 1990, in which a joint ministerial commission has presided over exchanges across the sectors including trade, agriculture, energy and mining, health, and communications. More than 35 bilateral agreements have been signed, including the first double taxation agreement ever signed by Mexico, as well as accords on a wide variety of subjects such as environmental cooperation, distance education, mining, culture, and legal matters. Two-way trade has grown from almost nothing in 1990 to \$18 billion a decade later. Multilaterally as well, Mexico and Canada have become important multi-lateral partners, not only in the Americas, but also in the G-20, the Asia-Pacific Economic Cooperation (APEC) forum, and the OECD (Organisation for Economic Co-operation and Development), which Mexico joined in June 1994 with Canada's active support.

BY EDGAR J. DOSMAN AND  
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But if the Chrétien government is delighted, it is also somewhat breathless with the scope and ambition of President Fox's agenda to which Canada will eventually have to respond. In fact, Mexico's agenda has become more complex with the advent of the Fox administration.

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## A NEW ERA

But with Fox it is as if a new era in bilateral relations had unexpectedly opened, vaulting the gathering Mexican-Canadian rapprochement since 1990 into an entirely new orbit, and convincing officials and ministers that

Canada must respond positively to the new leadership. This impulse reflects a conviction that the end of the PRI's political monopoly constitutes a historic breakthrough in the Americas, permitting the reform and full modernization of the Mexican state with the parallel evolution of a democratic society. It also confirms the long-held official belief that free trade agreements like NAFTA also promote democracy throughout the Americas.

The Fox team has also turned to Ottawa for advice on state modernization, public sector reform, and fiscal federalism—welcome news in the capital. New opportunities for Canadian-Mexican cooperation, unthinkable under the PRI, are believed to flow from Fox's new approach to sovereignty, democracy, and human rights, which have altered Mexico's long tradition of non-intervention starting with Carranza and further elaborated in the Estrada Doctrine. Foreign Minister Castaneda has redefined sovereignty to include responsibility across borders for the defence of human rights and democracy, arguing that the new approach requires an activist international role (in Colombia and Central America, for example) as a guarantee against violations and threats to democracy within Mexico itself.

It is as if Mexico has finally become a bona fide OECD Western partner under Fox—willing and able to promote the holy triad of democracy, markets, and peace in the world. At the third Americas Summit in Quebec, Fox supported the "Democracy Clause" championed by Canada without hesitation; the previous Mexican caution toward a more active and interventionist OAS (Organization of American States—and other instruments of regional governance) instantly diminished. The new president met personally with Canadian NGO representatives in Ottawa during his first

official visit to Canada, thereby announcing a more open recognition and approach to civil society. Ottawa in turn (for example) has recognized the efforts of the Fox administration to solve the Chiapas conflict, urging the *Zapatistas* to negotiate with the government. If the task of overhauling Mexican foreign and defence policy cannot be completed in Fox's six-year mandate, the Chrétien government is determined to show that it is an ally squarely on his side.

## A NORTH AMERICAN RE-ORIENTATION

But if the Chrétien government is delighted, it is also somewhat breathless with the scope and ambition of President Fox's agenda to which Canada will eventually have to respond. In fact, Mexico's agenda has become more complex with the advent of the Fox administration. The subsequent election of President George W. Bush in November 2000 completed the progressive shift of political power in the United States from the northeast to the south and California. This, together with President Fox's victory, marks a new period in North American and NAFTA relations. The issue was not so much personality, the proximity of Texas, or the sequence of invitations to and from Washington, but rather the reality that Mexico is emerging as an increasingly more important country for the United States than Canada.

Mexico has a much larger population of 100 million people, a huge political presence in the United States beyond the key electoral factor, and is an increasingly important partner for the United States in managing turbulence in Central America and the Andean region. However, Vicente Fox's rapprochement toward the United States—reciprocated by George W. Bush—has reinforced this geopolitical shift. Before the election of President Fox, there was never a doubt that Canada enjoyed a more "special relationship" with the United States than Mexico, and the two borders—one with a fence and the other unguarded—provided a clear image of the difference.

Two-way trade has grown from almost nothing in 1990 to \$18 billion a decade later. Multilaterally as well, Mexico and Canada have become important multilateral partners, not only in the Americas, but also in the G-20, the APEC forum, and the OECD, which Mexico joined in June 1994 with Canada's active support.

Dealing with the PRI before 2000 followed a predictable liturgy: the Canadian government could placate domestic constituencies by pressuring Mexico on human rights and Chiapas within an otherwise productive official relationship, while simultaneously underlining the shared values and special closeness in U.S.–Canadian relations. The Fox victory emphatically broke this pattern of relations by Mexico claiming the same moral high ground as Ottawa on human rights and democracy. Fox's vocation is clearly pro-United States and North American, and he has been explicit with regard to the deepening of NAFTA and constructing a North American community. In a break with previous doctrine, the new foreign minister has accepted the United States as its definitive partner; the relative priority of Mexico can only grow in Washington.

## POLICY DIVERSIFICATION

The Fox administration will continue the PRI's policy of bilateral diversification, which included 17 trade agreements with 32 countries since the implementation of NAFTA, most importantly with the European Union. However, this exploitation of Mexico's privileged

access to the NAFTA markets and its favourable geopolitical position at the crossroads of world markets (the United States and Central/South America on the north–south axis, and European and Asian markets to the east and west) do not call into question its permanent reliance on the United States given the geographic, commercial, financial, and tourist linkages with the American economy. Castaneda crossed the Rubicon and officially recognized that Mexico had no "Third Option"; Canada had given up the same dream a decade earlier. Mexico under Fox suddenly looks more mainstream—more "North American."

Canada's hopes for a new partnership with Mexico, therefore, are balanced by incipient worries of competition for U.S. attention. While Canada and Mexico are natural allies given their location and their high bilateral trade dependency on the United States—86 and 82 percent, respectively—their need to safeguard their relationship with Washington also provokes a measure of rivalry as well as cooperation. Collaboration rather than discord, however, was more evident at the Quebec Summit, which

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# Defining Canadian–Mexican relations: The inescapable partnership ... with the United States

BY ARTURO BORJA

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Whether unilaterally or bilaterally, Mexico and Canada share a common destiny in North America and have an inescapable partnership with the United States.

Lloyd Axworthy, former Canadian minister of foreign affairs, declared in February of this year that the decision of George W. Bush to choose Mexico for his first official visit as president of the United States should make Canadians think about their foreign policy priorities. He recommended that Canadians broaden their perspective in the context of North America, just like the new Mexican president, Vicente Fox, had already done.

Axworthy's reaction captures, in a very precise manner, the essence of Canadian–Mexican relations. Reflecting the geography of North America, the links between these two countries are inevitably marked by their common neighbour, the United States. What Canada does in its bilateral relations with the United States has become increasingly relevant in Mexico City and vice versa. There are situations when joining forces becomes a sound strategy for both countries in order to “contain” the imperialist impulses of Washington—the reactions of Ottawa and Mexico to the *Helms-Burton Act* illustrates this point. Whether unilaterally or bilaterally, Mexico and Canada share a common destiny in North America and have an inescapable partnership with the United States.

## “LA LONGUE DURÉE”

The long-term future of North America should be considered from the perspective of the social, economic, and political forces that are reshaping the world's political economy. The concept of “complex interdependence,” rather than the ambiguous concept of globalization, captures the transformation that has been taken place in North America since the end of the Second World War.

What we have is a very dense, diverse, and complex network of interdependence involving non-governmental and governmental actors, with transnational cultural, economic, and political contacts operating through multiple channels of modern communication.

Of course, there are important differences between the two situations of interdependence. A good illustration of these differences is the welfare and democratic gap that separates north from south in world development. Even Mexico has its own north and south. Yet, when the conservative government of Brian Mulroney, in Canada, decided

to move from CUSFTA to NAFTA, the means to connect the north and south of North America was created. It would certainly be hard to say that Mulroney or Salinas had the vision of Jean Monnet when he foresaw the European integration process in the 1950s. Projects and international institutions, however, often outgrow the ideas of their creators and evolve in unexpected directions.

I believe this interdependence between the United States and Canada on the one hand, and between the United States and Mexico on the other, provides the contemporary specialist in international relations with a fascinating empirical “laboratory” to observe, study, and compare one of the most important processes of change in international politics since the integration trajectory of Western Europe.

## THE COMPLEXITY OF INTERDEPENDENCE

Just like the history between France and Germany, or Spain and Great Britain, conflict and territorial disputes have marked the history between the United States and its two neighbours. Even today, Mexican and Canadian nationalism has a negative image of the United States as one of its central elements. Examining the changes that have taken place in North America in recent decades, particularly since the signing of the CUSFTA and the NAFTA, one might wonder whether we are witnessing the emergence of a new actor in world politics, an actor of similar stature as the European Union. Are we in North America evolving from national to supranational actors?

The answer to that question will depend on the direction of change. The

critics of NAFTA tend to see the agreement as a project of North American political elites and multinational corporations that will lead to a scenario of “wild capitalism,” where salaries will keep going down and income will be more concentrated. In other words, it will make the poor poorer and the rich richer, and the social security network will be weakened. Over time, particularly in Mexico, this would feed social unrest, and the multiplication of critical social movements like the *Zapatistas* of Chiapas.

On the other hand, the optimistic view of NAFTA believes the agreement creates new economic opportunities with the creation of trade and competitive advantages for the three national markets. In other words, NAFTA is seen as a means to increase the level of welfare in North America. I consider myself an optimist. I see NAFTA as representing the first building block of a new North America characterized by institutionalized cooperation, with more transparent rules for the three players and more opportunities to foster educational, cultural, and social contacts.

### THE OPTIMISTIC SCENARIO

My optimism is based on the fact that, with or without NAFTA, the process of interdependence between the United States and its two neighbours is not going to unravel. This is a process that has its own dynamics, one that escapes, in many senses, the policies and interests of individual national governments. Paradoxically, NAFTA is the potential first step to prevent the “wild capitalism,” which has been growing for decades along the Mexican–American border. International cooperation and the concerted policy programs of North American governments are a better response to the problems of unregulated migration, drug traffic, and environmental damage. We know that it is not an easy task for Mexico and Canada to cooperate with Washington under the asymmetrical conditions of North American interdependence. But we should see that as a challenge rather

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International cooperation and the concerted policy programs of North American governments are a better response to the problems of unregulated migration, drug traffic, and environmental damage.

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than an obstacle. After all, geography determines for both Canada and Mexico the inescapable need for partnership.

### “EL CORTO PLAZO”

Mexico now has a democratic government. The internal legitimacy of the new president, Vicente Fox, gives Mexico a fresh start internationally. In the eyes of Washington and Ottawa, a legitimate democratic government represents a more reliable and trustworthy partner. The new Mexican president is aware of this fact, and has wasted no time in presenting important initiatives to deepen NAFTA. As president elect, he visited Canada and the United States, and in his conversations with Jean Chrétien and the two American presidential candidates, Al Gore and George W. Bush, he mentioned the idea of creating a common market of North America.

Most importantly, once he and Bush had taken office, they met in February 2001, in Guanajuato, Mexico. This was precisely the meeting that provoked Lloyd Axworthy’s declaration referred to above. Further illustrating my point that Canadian–Mexican relations are connected through the United States,

on December 17, 2000, the federal government of Canada expressed in public its concern that the new American president was paying more attention to Mexico than to Canada.

As a result of the Guanajuato meeting between Fox and Bush, the two governments issued a joint communiqué, which clearly reflects Fox’s decision to push forward the agenda for a deepening of NAFTA. In their declaration, the two presidents introduced, for the first time, something that sounds like a social agenda for the three North American partners. The declaration read, “[A]fter consulting with our Canadian partners, we will make efforts to consolidate a North American economic community, which benefits the less developed areas of the region and the most vulnerable social groups.” They also expressed their political will to adopt policies with regard to migration that should lead “to an ordered scheme of the migratory fluxes, assuring human treatment, judicial security and safe working conditions to the migrants.” Finally, the declaration addressed the issue of energy, with the statement,

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“[I]n consultation with our Canadian partners in NAFTA, we will develop a North American approach to the topic of energy resources.”

## BROADENING THE AGENDA?

It is not only important, in this new context, that the new Mexican president is trying to broaden the North American agenda, but even more relevant is the fact that the American executive is eager to cooperate and join forces with Fox. It is too soon, at this point, to know how far this new situation will go in changing or deepening the NAFTA. Ottawa does not seem as enthusiastic as its two southern neighbours do.

Trade and investment linkages with the United States—and, to a much lesser extent, with Mexico—have grown steadily under the agreement. However, in the Canadian election on November 27, 2000, it was the opposition parties, the Canadian Alliance and the Bloc Québécois, that supported the idea of deepening NAFTA, not the Liberals.

Furthermore, on several occasions, the Chrétien government has expressed reservations about the idea of creating a North American approach to energy resources. So one of the questions that remains open for the future of North American cooperation is whether the efforts of President Fox, which are supported by Bush, will lead to a deepening of NAFTA or to a bilateral scheme between Mexico and the United States running parallel to NAFTA.

Despite the reservations expressed by Ottawa, it is my impression that the Canadian commitment is still an open question and, obviously, it is necessary to see what concrete proposals emerge regarding a social agenda, migration, and energy. In any case, Canada has already moved once from a bilateral scheme (CUSFTA) to a trilateral one (NAFTA). It would be hard to imagine a North American integration process moving at “different velocities.”

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## THE UNCERTAIN FUTURE OF THE FTAA

Finally, the other question that should be considered in thinking about the future of North America is the FTAA. Certainly, the media made a lot of noise during the meetings held in Quebec City in April this year. As is usually the case with these kinds of multilateral meetings, a lot of rhetoric and diplomatic enthusiasm was displayed. A promise was made by the 34 chiefs of governments gathered at Quebec that the FTAA will be in operation no later than December 2005. A lot of things, however, could happen in between.

The FTAA as a project has been in the air for over 10 years now. It was President Bush senior who came up with the idea, and negotiations have actually been going on for years within the Organization of American States. The political conditions and the receptivity of some of the key players, however, remain untested. Brazil and Mexico have made it clear that the FTAA is not a priority for their commercial diplomacy. Most importantly, will the U.S. Congress pass the treaty? Will the lower rates of economic growth that we are now expe-

riencing reduce the enthusiasm expressed at Quebec?

With the FTAA on uncertain ground, it is hard to imagine exactly what the effect might be on NAFTA. Three different scenarios can be foreseen. The first one is the failure to ratify the agreement by leading countries, thus making it irrelevant. There is a strong likelihood this could happen, given the economic geography and heterogeneity in terms of levels economic development, culture, and politics among the 34 countries of the Americas.

The second scenario is that of possible diplomatic failure. Historically, there are plenty of examples where an American diplomatic effort to render this kind of pan-American promise collapses. This might very well be the case. Where a diplomatic incident, even a minor one, between Washington and Cuba, Venezuela, or another Latin American country, could escalate to a point where it would force Canada or a group of Latin American countries to withdraw their support from the FTAA and refuse ratification.

The third scenario is that of the approval of a “rhetorical FTAA.” In my


opinion, this is actually the one with the highest degree of probability. In this case, the agreement would not have a serious impact on trade and investment flows in the region. However, it could function as a diplomatic forum for the partner countries. As it is already happening with the summits of the Americas, the FTAA could become institutionalized as the economic forum of the Organization of American States.

It should be obvious at this point that I am a FTAA skeptic. Therefore, if the agreement is ever concluded, it will not have a major impact upon NAFTA. It is the condition of complex interdependence between the United States

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and its two neighbours that their trade bloc is different from the rest of the continent. It is that condition that makes it an international economic region with the potential to transcend national boundaries and become in

the future a new international actor. It is that condition as well that, for good or evil, binds the future of Canada and Mexico (therefore the “regionalization” of North America) to the future of the United States. 

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## After the Quebec Summit continued from page 135

showcased prospective closer relations with both Fox and Bush, and in many ways the new directions in Mexican foreign policy enhance the prospects for both bilateral and multilateral relations with Canada. Regarding the complex issue of migration, for example, the three presidents declared in Quebec that “they would guarantee the mechanism of trilateral cooperation to serve the needs of immigrants and take measures against the illegal traffic of people” (*La Jornada*, April 23, 2001). On balance, the expectation in Ottawa is that relations with Mexico will flourish now that the three governments share approaches to democracy and human rights issues, confident that the extraordinarily diversified and close relationship with the United States underpinned by an even more dense web of civil society bonds will continue to deepen regardless of change of presidents in Mexico City or Washington.

### A COUNTERWEIGHT TO THE UNITED STATES

The challenge for Canada and Mexico is to maximize cooperation and limit rivalry in the mutual interests of managing the United States relationship more


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## While Ottawa remains euphoric, some Canadian civil society groups foresee an early end to the honeymoon.

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effectively. Many issues in play are both controversial and expensive: migration and energy policy, NAFTA and the FTAA negotiations, an effective North American Development Bank (NADB), Cuban policy, Canadian participation in the “Plan-Puebla-Panama” initiative for Central America, the conflict in Colombia and Venezuela, environment, and trade imbalances, to name only a few. A huge effort will be required in an Ottawa exhausted by summitry to develop a comprehensive bilateral policy.

Ultimately, however, the most important issue for Canadian–Mexican collaboration lies in the domestic success or failure of the Fox administration. It remains a bright star in the major capitals of the West, but the glitter could tarnish quickly at home if early defeats or miscalculations undermine public credibility. The electoral campaign may have

generated unrealistic expectations for an unorthodox new team comprising exceptional ideological diversity. Fox’s inability to resolve the Chiapas crisis after the Mexican Congress redesigned the COCOPA (Commission on Concurrence and Pacification) agreements into a “light” accord rejected by the *Zapatista* leadership, as well as protests against tax increases on medicines and foods, are intimations of a disconnect between image and reality. In a recent national poll, only 15 percent of Mexicans indicated that they believed the promises of the president (*New York Times*, May 9, 2001). Canadians are also split on prospects for the new Mexico. While Ottawa remains euphoric, some Canadian civil society groups foresee an early end to the honeymoon. The verdict remains out, but the stakes are high for Canada as well as for Mexico. 

Fox's administration continues to rely on most of the old institutional arguments and practices.

So, despite the initial talk that the new Fox government would move quickly and with determined will to democratize Mexico's labour system, this will not happen quickly or automatically within the political transition taking place. The new administration has demonstrated little interest in or desire to accelerate the process in order to bring its labour relations practices in

line with the system of political representation and reform that played no small role in Fox's electoral victory.

After six months in office, labour reform is no longer a priority, if it ever was. Despite all the talk, the results are meagre and disappointing for Mexican workers who have waited many decades for democratization in labour relations and practices. If labour relations are to become a priority, political parties and social movements will need to exert the necessary pressure to make la-

bour reform once again one of the top priorities of the Fox administration, as well as the Congress. So far the interests of wage earners have not been taken into account when decisions affecting them are made.

On the labour front, the Fox administration has been a disappointment. It looks more like the PRI, with its corporatist beliefs, than a government committed to significant democratization and modernization in Mexico's labour relations and collective bargaining practices. ❁

### ROBARTS CENTRE FOR CANADIAN STUDIES SUMMER INSTITUTE 2001 YORK UNIVERSITY, TORONTO, JULY 9-19, 2001

## The Americas After the Quebec Summit Hemispheric Integration and Social Cohesion: Civil Society and Building the New Agenda

Co-directors: Daniel Drache, Director, Robarts Centre for Canadian Studies, York University and Jean Daudelin, Principle Researcher, North-South Institute and Adjunct Research Professor, Norman Patterson School of International Affairs, Carleton University

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