

Neighbors at Last Canada and the New Mexico

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Courtesy of the President of Mexico's Press Office

I remember well my first encounter with an External Affairs posting officer shortly after I joined the department in June 1976. We explored together posting options for the following summer. He seemed to think I might have a promising future, but enquired rather sharply about why on earth I would want to go to Latin America as a first posting. Why would anyone who wants to get ahead in the department ever go there?, or words to that effect. I occasionally think of that meeting. So much has changed in these past 25 years in terms of Canada's role in Latin America and its relations, in particular, with Mexico.

TURNING POINTS

Much has changed. It is important to recognize key turning points in Canada's hemispheric relationship, particularly over the past 10 years, and the place of Mexico in that broader context. Among many influences, I would highlight four major events.

First, the long overdue decision by Canada to join the Organization of American States in 1991 with a determination, consistently applied, to make a difference in the revitalization and growth of that central hemispheric institution.

Second, the Canadian government's decision to join the United States and Mexico in the negotiation of the North

American Free Trade Agreement during 1991-1993, at the time a controversial but forward-looking decision that among other impacts certainly heightened the profile of Mexico in Canada and our understanding of Mexican society and markets.

Third, the launch of the Summit of the Americas process in 1994 by then-president Clinton and the Canadian government's decision to make a major commitment to ensuring the success and eventual institutionalization of the summit as achieved through the Santiago Leader's Meeting of 1998 and most particularly the extraordinarily dynamic third summit held in Quebec City last April, with its solid action plan and new Executive Council that

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will see us through to the fourth summit in Buenos Aires.

And fourth, the democratic transition in Mexico, a regional heavyweight and by far our largest economic partner in Latin America, as a result of the election of opposition candidate Vicente Fox to the Mexican presidency in July 2000. Fox has arrived with a vision and determination to ensure Mexico becomes a full North American partner.

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In a sense, these four events became feasible and sustainable because of profound changes in the approach of the region towards the key principles of democracy and free markets. These were changes implemented by Latin American leaders and populations themselves. Although faith in each of these two fundamental principles has more than once been shaken over the past 10 years, there is still a remarkable commitment to them particularly when compared to 15 to 20 years ago. Yet each of the four turning points that I have highlighted were not just the result of fundamental shifts in Latin American societies, but they also created their own subsequent dynamic which has helped in turn to strengthen democracy and markets as well as involvement of governments (including very actively the Canadian government) much more directly in promoting these same principles.

Others view Canada, and increasingly Canadians and the Canadian government view themselves, as integral

members of the broader hemispheric family. This hemisphere is our neighborhood. And apart from the United States, this neighborhood for Canada has a strong Mexican look and feel about it as exemplified through our joint participation in NAFTA and the enormous interest created by President Fox's election last year. In the rest of this article, I will briefly describe several key components of that relationship as of 2000

and will then follow with a description of several key themes that President Fox highlighted during his campaign and the first months of his presidency. Finally, I will outline several of the consequences for Canada-Mexico relations that flow directly from the ongoing transition in Mexico under President Fox.

A SNAPSHOT

Bilateral trade has grown by double digits every year since 1996 with a striking 30 percent increase last year to reach U.S.\$12 billion. Mexico is now Canada's fourth most important export market after the U.S., Japan and the U.K. Canada has become Mexico's second most important export market. Last year, Mexico exported more to Canada than it did to all 15 member states of the European Union combined and almost as much to Canada as to the E.U. and Japan combined. Despite the slowdown in the U.S. economy which is affecting the economies

of both its partners, Canada-Mexico trade continues to grow during 2001 (by 8 percent the first quarter).

Canadian investment in Mexico has increased six-fold since 1993 and now stands at well over Can\$3 billion according to Statistics Canada. In fact, the level of investment controlled by Canadian firms is probably considerably higher given that a number of significant Canadian-controlled investments in Mexico are undertaken through subsidiaries based in third countries particularly the U.S. and the U.K. This level of investment, while impressive, has not been as dynamic as in Chile. Nonetheless, it does represent an important stake which could increase significantly in the near future depending on Mexican policy decisions still to be taken in sectors of solid Canadian competitive advantage, such as energy.

Two-way tourism continues to grow impressively. According to data collected by our network of consulates and from Canadian tour operators, the embassy estimates that approximately one million Canadians visited Mexico last year, while an increasing number of Mexicans are visiting Canada (about 170,000 in 2000).

There is a very successful Seasonal Agricultural Workers Program administered through a bilateral agreement in place for 25 years. More recently, the number of Mexicans undertaking seasonal work in Canada (particularly in Ontario and also in Quebec and the Prairies) has expanded steadily to more than 9,000 last year with the expectation that the total could grow to 11,000-12,000 this year. This is a model program clearly to the benefit of Canadian farmers and Mexican workers.

Canadian and Mexican universities and colleges have built a continually

expanding network of some 350 active cooperation and exchange agreements. Canada is increasingly a destination of choice for Mexican students with more than 6,000 having studied in Canada last year. This is particularly impressive when you consider that this total is approaching the number who travel to the U.S. (9,000), and much more than the students who travel to any individual European country—a strong testament to Mexicans' increasingly strong perception of the benefits of study in Canada. Equally as interesting, an estimated 1,000 Canadians are currently pursuing academic courses for credit in Mexican universities largely through exchanges administered under university-to-university agreements.

To manage this broad and expanding relationship, the embassy in Mexico is now one of Canada's largest and is also responsible for the management and coordination of the work of our two consulates in Monterrey and Guadalajara; our network of 7 honorary consulates; and a contract-based border/customs office in Laredo on the U.S.-Mexico border.

PRESIDENT FOX'S PRIORITIES RECURRENT THEMES

Although Vicente Fox raised a large number of issues during his campaign, the five-month transition period before his inauguration last December and the first several months of his presidency, five themes in particular seem salient. They focus on governance, markets and geography. All have immediate and direct implications for Canada, providing us with new opportunities to work with Mexico as an increasingly close partner to ensure economic growth and stability.

The first theme is transparency in government. President Fox believes deeply in the importance of the contribution that civil society can make to ensuring that political and economic processes are more accessible, more understandable and more open to being influenced by many more voices in Mexican society. He holds this belief because in large measure the increasing demands of Mexican civil society

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writ large (NGOs, business associations, media, academics) over the last 10 to 15 years helped to prepare the way for his stunning victory last year. In practical terms, transparency in the current Mexican context includes improved access to government information, the radical recasting of security and intelligence services to function in a democratic society and a much more open, fluid and demanding inter-relationship with the Mexican Congress in which no party has a majority.

A second theme is anti-corruption. The president and several of his principal advisers have spoken openly and eloquently about the need to combat a culture of corruption which had been allowed to infect many public and private aspects of Mexican national life. Some of the implications of this anti-corruption campaign include reform of Mexican customs, reorganization and reform of police forces, more transparent public procurement policies and the simplification and reform of the public service more generally.

Human security and in particular the promotion of human rights is the third theme, by which President Fox means improvement at home in Mexico itself and a remarkably open welcome to outside observers, as well as a more dynamic promotion of human rights issues outside Mexico both in the hemisphere and more globally.

Fourth, President Fox and his team have emphasized the importance of

further economic reform and modernization. Reaching these goals will require political skill and perseverance in the face of a divided Congress. But a good start has been made in further reshaping Mexico, including through significant tax reform to increase government revenue as a percentage of gross domestic product to a level more in keeping with the regional average in order to finance social and economic development; energy sector reform (most immediately in terms of possible further liberalization of private sector participation in the generation of electricity and in the exploration for natural gas which will be the main source of new energy in coming years); a significant restructuring of the state-owned electricity and oil companies so that they are more responsive to market forces, functioning more clearly as properly arms-length state corporations operating in more competitive energy markets; a massive overhaul of labor legislation both to remove inherited corporatist rigidities and to improve union democracy;

and a further decentralization of financing and policy responsibilities to Mexico's 31 states and Federal District.

And finally, I would highlight the administration's inherent continentalism. The Fox administration has been correctly active in promoting Mexican foreign policy and trade and investment interests with partners in Europe, Latin America and Asia. Nonetheless, it is also true that the government clear-

southern neighbors to ensure that both Canada's bilateral relationships (Canada-U.S. and Canada-Mexico) and our joint trilateral relationship remain agile, forward-looking and active if we are to continue to have a major impact on the North American agenda.

Another impact relates to trade. Commercial flows in both directions will continue to increase through private sector transactions and govern-

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ly recognizes that its home is in North America and that Mexican prosperity depends increasingly and inevitably on the stability and prosperity of Mexico's immediate North American neighborhood.

CONSEQUENCES FOR CANADA AND CANADIAN RESPONSES

One clear consequence of the transition underway here in Mexico is that the personal dynamism between U.S. President Bush and Mexican President Fox is strong, with the result that the U.S. administration will look increasingly as much south across the Río Bravo as it does north across the St. Lawrence. This new dynamic is positive in that there is a predisposition to try to resolve several critical issues such as migration, narcotics interdiction and a number of highly contentious NAFTA-related trade disputes. This dynamic also implies that we must continue to work closely with our two

ment efforts to facilitate trade further. Continental pull or gravity will ensure, in and of itself, increasingly greater commercial activity. Indeed, it is likely that within the next 3 to 4 years Mexico will surpass the U.K. to become Canada's third most important export market. But trade and the jobs created by trade could increase at an even faster rate if governments find ways to build on NAFTA to improve further the environment for trade and investment. NAFTA has done much to create prosperity in all three countries, but there remains much untapped potential within the framework of the current agreement, with discussions now underway to explore what a NAFTA plus agenda might look like.

In addition, and as suggested earlier, further economic modernization in Mexico should open the door to a larger Canadian investment presence in Mexico, with the energy sector as the focus of much Canadian private sector and embassy activity at the present time. In close cooperation with

the Canadian Chamber of Commerce in Mexico, the embassy has been active in promoting the presence of Canadian energy companies in Mexico, in part through bringing our private sector together not only with members of the Mexican government but also with deputies and senators from the three main parties in the Mexican Congress. More broadly on the energy front, earlier this year the energy ministers of Canada, the U.S. and Mexico created a North American Energy Working Group. This forum will be a valuable means of fostering communication and coordinating efforts in support of efficient North American energy markets.

Another fascinating and growing aspect of cooperation is the promotion of good governance issues in areas identified by the new Fox administration. For example, the embassy and the appropriate federal government authorities have been providing information and advice on such key issues as access to information; appropriate legislation for, including civilian oversight of, Mexico's intelligence agency; budgetary reform and control; the auditing of public accounts by arm's length agencies; and federalism.

There are also important new opportunities for greater exchanges and cooperation with regard to foreign policy, including in the area of human rights promotion in the hemisphere and in UN organizations such as the Commission on Human Rights. In this regard, a good start has been made to encourage a regular dialogue between our two foreign ministries, which will be further deepened. We have also begun a step-by-step exchange of information and experiences on UN based peacekeeping operations. As Mexican foreign policy

becomes more proactive (perhaps most strikingly exemplified by its strong campaign to win a non-permanent two-year term on the UN Security Council), Mexico could gradually shed its traditional hesitation to participate in peacekeeping operations. If so, Canada would clearly welcome such a change. In addition, and still in the area of human security/human rights, it has been gratifying to witness and to encourage the further strengthening of the close working relationship between Elections Canada and Mexico's Federal Electoral Institute (on-going cooperation was recently formally renewed), and between the Canadian and Mexican Human Rights Commissions. On the basis of recent bilateral cooperation and confidence-building, these two commissions were pivotal in organizing and launching last autumn the first-ever hemispheric network of national human rights organizations.

During president Fox's state visit to Canada last April, further steps were made. It was agreed to enhance cooperation in the area of social and human development with an initial emphasis on lifelong learning and social cohesion issues. An additional agreement was signed in the area of natural resources, including energy efficiency, alternative energy, energy supply, air quality, watershed and groundwater management, sustainable development and use of mineral and metals, remote sensing and geomatics. During the same visit, both governments undertook to work toward extending the existing highly successful bilateral cooperation in the area of temporary workers to other provinces of Canada not yet included in the Seasonal Agricultural Workers Program and to other economic sectors where labor market de-

mand justifies such an extension to both countries' mutual benefit.

The Mexican Congress is a quickly emerging area of importance to understanding and tracking Mexican affairs and to promoting bilateral and broader hemispheric relations. As a result of the July 2000 federal elections, no party commands a majority in either chamber of Congress and the relationship between the president and

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his own party caucus in Congress is still being fashioned. Consequently, for the first time in its history, Mexico's Congress is itself still being fashioned. Also, then, for the first time in its history Mexico's Congress has become a critically independent player in Mexico's overall governance structure. The old vertical, top-down president-dictating-to-Congress days are gone forever. Legislation must now be crafted in coordination with Congress and in anticipation of active questioning and debate on all key bills, including those of interest to Canada. As a result, we have established what is only Canada's third Congressional Relations Office at an embassy abroad. Although minimally staffed at present, it is becoming an important feature of our operations in Mexico. It is in Canada's interest to see the new Mexican Congress emerge as a vital and positive force in Mexico's new democracy. It will also be an important player in our on-going dialogue with Mexico on promoting Canadian values and interests in Mexico. Moreover, a

Mexican congressional delegation played a significant and constructive role in the inaugural session last March of the Inter-Parliamentary Forum of the Americas (FIPA). This Canadian initiative to promote a greater policy dialogue on hemispheric issues among the region's national legislatures (in a process roughly paralleling the Leaders' Summit process) now has an executive committee led by Canadian M.P. Bill Graham, on

which Mexico also sits. Moreover, Mexico has agreed to host the second annual meeting of FIPA in 2002.

POSTSCRIPT

The previous paragraphs highlight the accelerating, on-going activity already in play before July 2000 and also identify the many new opportunities that are quickly being seized. Partly as a result of Canada recognizing these new prospects early on, President Fox has been to Canada twice over the past year, while approximately two-thirds of the cabinet members of the two governments have met either in Canada or in Mexico (sometimes more than once) to promote this special relationship. The likelihood of further expansion is quite rightly high. Why would anyone...ever go to Latin America? I was asked 25 years ago. The answer is so self-evident today, especially with regard to Mexico, that no one would even dream of asking the question in the first place. **NMM**