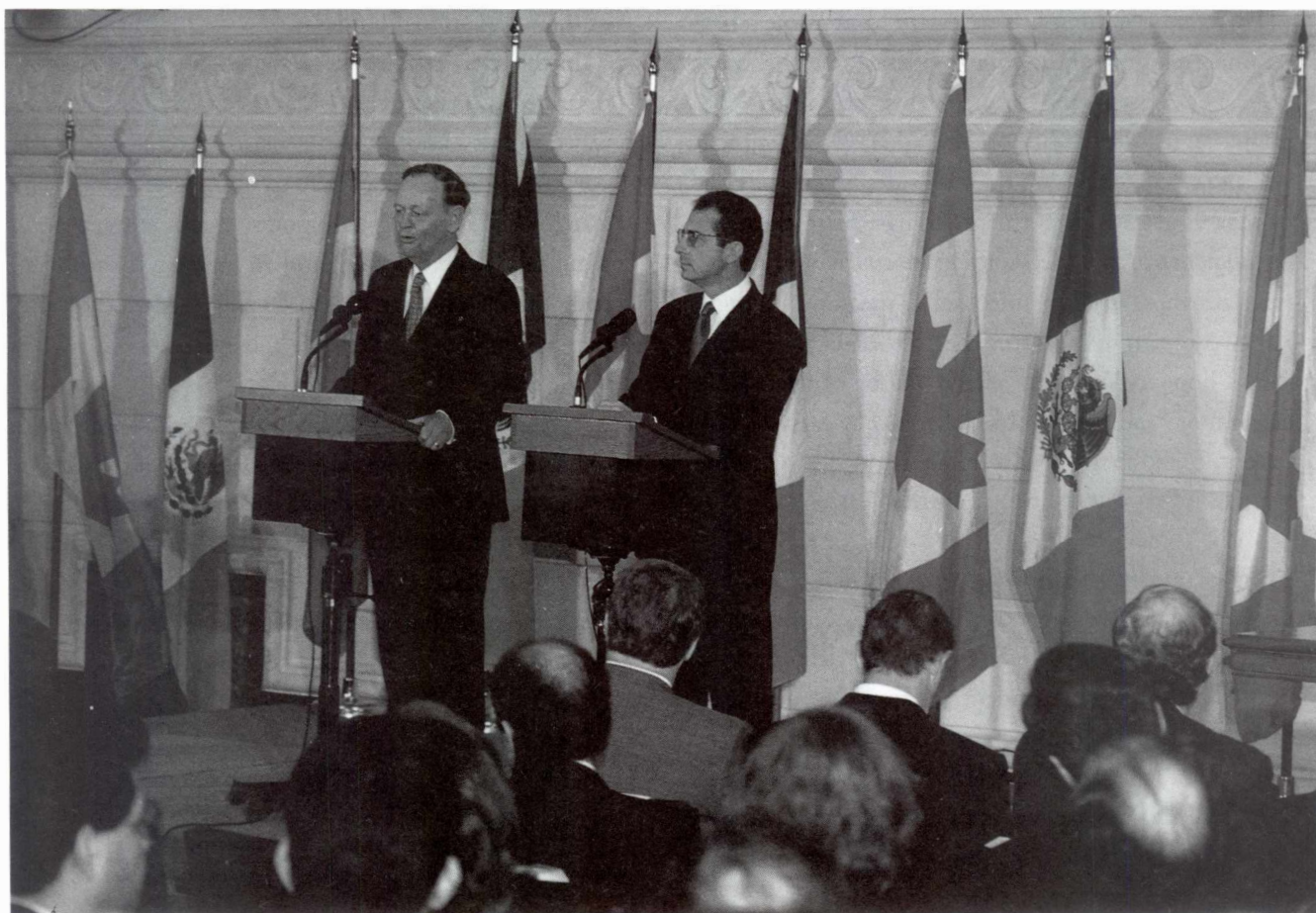


MEXICAN-CANADIAN RELATIONS

Toward the Other Distant Neighbor

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Photos: The President's Press Office

President Ernesto Zedillo and Prime Minister Jean Chrétien.

In the last few months, government meetings between Mexico and Canada have emphasized the idea of the two countries as strategic partners. The main goal of President Ernesto Zedillo's visit to Canada last June was to strengthen

this view, undoubtedly reinforced by the similarities in both countries' position on the controversial Helms-Burton Act. By April, at the inaugural session of the XI Mexico-Canada Ministerial Commission Meeting, Mexico's Foreign Minister José Angel Gurría said, "For many years Mexico and Canada perceived themselves as countries kept apart by a powerful common neighbor.

In the last few years, we have changed that view and discovered the values and potential of our nations themselves." Also, during the X Mexico-Canada Interparliamentary Meeting (May 1996), several Mexican congressional deputies emphasized that the attitude of Canada's legislators differed radically from that of their U.S. counterparts at the last interparliamentary

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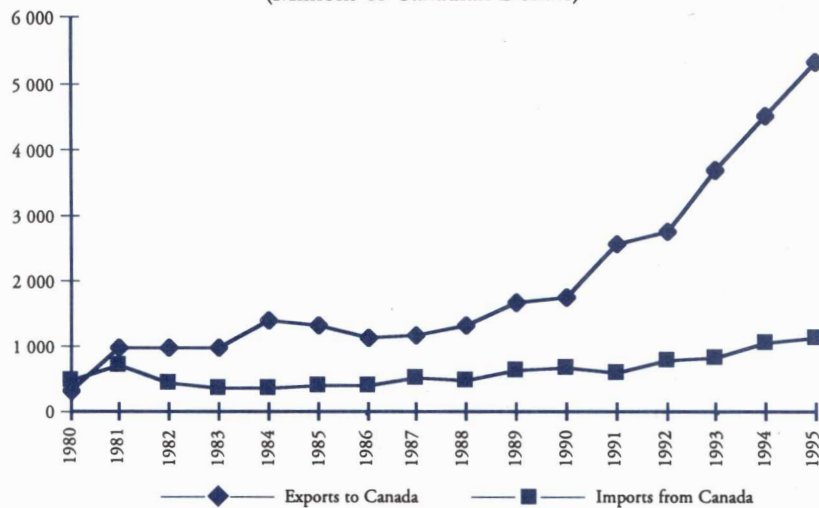
meeting with the United States, which had been held a few weeks previously in Zacatecas, Mexico. Given this, we may well ask ourselves what the bases are for this new partnership between Mexico and Canada.

RECOGNITION OF MUTUAL INTERESTS

The interest of both countries in making our bilateral relations closer and bettering mutual understanding increased visibly with the North American Free Trade Agreement (NAFTA). Indicators show that the bilateral relationship is more mature, which in turn reflects the importance that each country has given its new partner. In recent years, Mexico has maintained its traditional favorable trade balance with Canada and trade between the two countries has increased (Graph 1). Canadian investment in Mexico also continues to rise and in 1995 reached a cumulative figure of more than 800 million dollars (Graph 2). Today, more than 600 Canadian companies operate in Mexico in such different areas as financial and professional services, manufacturing, wholesale and retail trade and mining. In addition, more than 60 bilateral accords regulate different kinds of government exchanges, and there are a diversity of agreements between local governments in both countries, as well as many less easily counted but equally important agreements between universities, non-governmental organizations, cultural groups, etc.

Mexico and Canada have also found common interests outside North

Graph 1
MEXICO-CANADA TRADE, 1980-1995
 (Millions of Canadian Dollars)

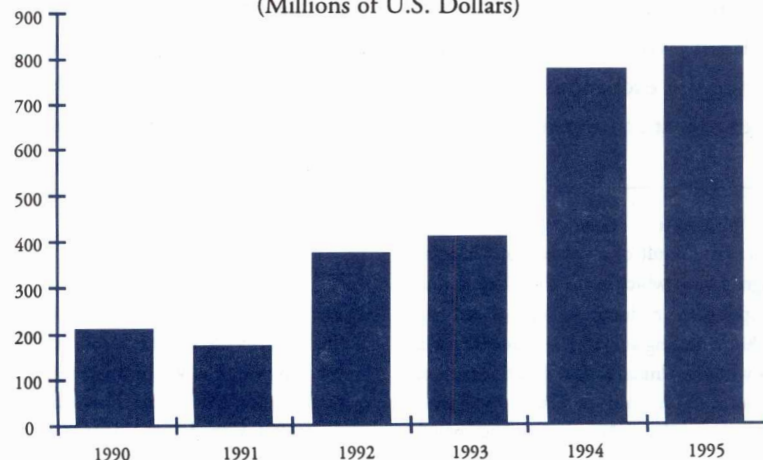


Source: Statistics Canada, Merchandise Trade Division.

America, particularly in the promotion of free trade throughout the hemisphere and, in the long term, worldwide. This is a priority of Jean Chrétien's Liberal government, as demonstrated by its proposal to create the World Trade Organization (WTO) and its sponsorship of Mexico as a member of the Asian-Pacific

Economic Conference (APEC). Canada is currently negotiating with Chile to sign a free trade agreement. Mexico has begun discussions about possible similar agreements with Peru and the Central American Common Market, in addition to the already existing agreements between Mexico and Chile, Colombia and Venezuela,

Graph 2
ACCUMULATED DIRECT CANADIAN INVESTMENT IN MEXICO
1990-1995
 (Millions of U.S. Dollars)



Source: Canadian Embassy in Mexico.

Bolivia and Costa Rica. These stem from both Mexico's and Canada's concern that the United States, because its congress refused its executive branch the fast track, will not exercise its leadership to create a hemisphere-wide free trade zone by the year 2005, as agreed at the 1995 Miami hemisphere summit.

In 52 years of diplomatic relations, Mexico and Canada have concurred on a number of hemispheric matters, among them the maintenance of trade and diplomatic relations with Cuba since 1968 and active participation in the Central American peace process in the 1980s.

There have also been attempts to increase trade between the two countries. The most recent was in the late 1970s when the governments of Pierre E. Trudeau and José López Portillo took foreign policy initiatives aimed at decreasing the economic weight of the United States in each of their countries. The Canadian "third option" policy resulted in Canada's drawing closer than ever before to Latin America and its participation in the North-South dialogue.¹ Canada was also one of the five industrialized countries from which Mexico sought technology in exchange for oil. From these efforts at economic diversifica-

tion arose the creation of a binational Canada-Mexico commission for consultation, as well as increased trade. However, this process was interrupted by the 1982 financial crisis in Mexico and the rest of Latin America.

DISTANT, BUT PARALLEL, HISTORIES

Historically, both Mexican and Canadian foreign policy has made maintaining national identity and independence a fundamental objective. Despite the difference in the size of their economies (Canada's is three times that of Mexico²) and their different cultural values, the basic condition of having the United States as a neighbor has put both countries in its sphere of influence. It has also meant that both depend on its huge market and investment capabilities (although it should be mentioned that 25 percent of foreign direct investment in the United States originates in Canada) and that they are subject to increasing —though uneven— economic interdependence with their powerful neighbor. A counterweight to this has been both countries' active participation in multilateral fora.

However, the foreign policies of both Canada and Mexico also reflect a sense of belonging to different geographic regions. Until very recently,

Canadian foreign policy was oriented fundamentally toward Europe, as is shown by its membership in the British Commonwealth, the French *Francophonie* and the North Atlantic Treaty Organization (NATO). At the same time, because of its small, open economy, Canadian living standards depend on international trade. This is why Canada has shown such an interest and commitment to strengthening multilateral economic organizations (like the General Agreement on Tariffs and Trade [GATT]) and to promoting international security and order. This is the explanation of Canada's significant contribution to U.N. peacekeeping operations.

Mexico, for its part, although it has pursued multilateralism with the same goals that Canada has, refused to be part of GATT until 1987 since its developmental model, based on import substitution, required a closed economy. Mexico's foreign policy toward Latin America is multilateral, as can be seen in its membership in the Organization of American States (OAS) and the Latin American Association for Development and Integration and its participation in U.N. groups like the Movement of Non-Aligned Countries.

THE HISTORIC CONVERGENCE

The profound changes on the international scene have led to a modification in the foreign policies of both Mexico and Canada, creating a greater possibility of their drawing closer together. The steps forward in the

¹ The "third option" policy, adopted in the 1970s was a result of a revision of Canadian foreign policy, which until then had mainly two options: a) maintaining a privileged relationship with England and b) tightening relations with the United States. The third option recommended diversifying relations with other areas including Latin America, a policy practically abandoned in the 1990s when Canada signed the NAFTA agreement. [Editor's Note.]

² The Canadian economy is, in turn, ten times smaller than the United States', but Canada's per capita GDP is very similar to that of its neighbor to the south. This explains why since 1976 Canada has belonged to the club of the world's most industrialized countries, known as the Group of Seven.

consolidation of an integrated Europe, the stymied Uruguay Round talks and the U.S.'s growing protectionism are some of the factors which have arisen in the 1980s that explain the historic convergence of Mexico and Canada around the North American option. Therein lie the causes of Brian Mulroney's Conservative government's decision to sign the bilateral Free Trade Agreement with the United States in 1987 and Mexico's President Carlos Salinas de Gortari's proposal to the United States of a similar accord in 1990.

The new course is also a fundamental shift in the historic objective of both countries whereby they refused to accept the idea of a common future with the United States, given that the economies of both countries pointed to growing integration with their powerful neighbor. Mexico decided to accept the North American option and, in 1990, Canada decided to become a member of the OAS, having been an observer since 1972. To a great extent, this was possible due to the political and economic changes taking place in Latin America and the diminished strategic, military importance of the region for the U.S. because of the end of the Cold War.

DIVERGENCE BETWEEN STRATEGIC PARTNERS

The historic convergence between Mexico and Canada does not mean that they automatically agree on foreign policy. Mexico, for example,



During President Zedillo's visit to Canada in June this year.

has expressed its reservations³ or has opposed⁴ a series of initiatives within the OAS designed to introduce mechanisms to guarantee the defense of democracy in the region. In contrast, Canada has supported them all. This support, just like Canada's 1994 proposal to create the Unit for Democracy within the OAS Secretariat is, among other things, a reflection of

³ For example, it expressed reservations to Resolution 1080 (June 1991), which allowed the Secretary General of the OAS to convene an immediate meeting of the Permanent Council in the event of a threat to the democratic process of a member country.

⁴ Mexico opposed the Washington Protocol (December 1991) whereby the countries in the Western Hemisphere give the OAS the authority to suspend a member state whose democratic government has been overthrown by force. Mexico also opposed the 1995 proposal of the Caribbean countries to establish a military force to defend democracy.

a Canadian interpretation of sovereignty which emphasizes the defense of individual rights. In contrast, Mexico has tended to strictly interpret the principles of non-intervention and self-determination of peoples, with their concomitant defense of the national collective [good] when faced with any threat to national territory and political institutions. Insofar as Mexico makes the transition to an open economy, its interpretation of these principles becomes more flexible, as can be seen by the Mexican government's acceptance of "international visitors" during the August 1994 federal elections.

The recent intensification of Mexican-Canadian relations does not mean that their economic dependency with regard to the United States has changed. Mexican-Canadian

Table 1
TRADE IN NORTH AMERICA, 1994-1995
 (Billions of Canadian Dollars)

Exports	Year	Canada	United States	Mexico
Canada	1994	—	184.2	1.6
	1995	—	209.7	1.1
United States	1994	114.0	—	69.4
	1995	137.2	—	63.5
Mexico	1994	3.7	67.6	—
	1995	4.5	84.7	—

Sources: Statistics Canada: Customs Basis. For trilateral trade: Canadian International Merchandise Trade; Canada's Balance of International Payments. For Mexico-U.S. bilateral trade: U.S. Department of Commerce, Census Basis.

trade is only four percent that of Mexico-U.S. trade and 1.6 percent Canada-U.S. trade (Table 1). In 1995, U.S. investment in Mexico was 24 times more than Canadian, and even Germany invested four times what Canada invested in Mexico (Table 2). Both countries' commerce with the rest of Latin America also represented only a small percentage of their total trade (5 percent and 2 percent respective-

ly). While this remains the case, the common Mexican and Canadian goal of creating hemisphere-wide free trade will continue to be mainly political.

INDICATIONS OF A PROMISING FUTURE

As attested to by the joint Canadian and Mexican actions in different multilateral fora—but particularly in

Table 2
FLOW OF FOREIGN DIRECT INVESTMENT BY COUNTRY
 (1995)

Country	Millions of U.S. Dollars
United States	3 447
Netherlands	564
Germany	537
Canada	144
Japan	136
United Kingdom	93
Other Countries	575
TOTAL	5 496

Source: SECOFI.

the resolution supported by both at the last OAS ministerial meeting (June 1996)— common actions by both countries set important precedents for achieving consensus to confront the predominance of U.S. interests in the Western Hemisphere, a predominance which flies in the face of international norms. In fact, the mechanism for conflict resolution established in NAFTA Chapters 19 and 20 are a legal instrument for restricting unilateral U.S. government measures which, due to their extraterritorial consequences (such as in the case of the controversial Helms-Burton Act) contravene fundamental rules of international law. This mechanism was the basis of the negotiating position of Mexico and Canada vis-à-vis the United States in the NAFTA discussions.

Maintaining a good relationship with the United States is a priority for both Mexico and Canada. However, today, closer relations between the latter two countries offer enormous potential benefits, not for creating an alliance against their powerful neighbor, but for ensuring that the United States meets its international commitments. Hopefully, these closer relations will also further their common interests, particularly worldwide free trade. This does not mean that we can expect automatic agreement in Mexican and Canadian interests and positions on international questions. In fact, Mexico's encounter with its other distant neighbor requires the creation of closer long-lasting ties despite possible changes in the international situation. ❧