

The Americas

The Growing Importance of Mexico

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Opinion

Ever since Mexico signalled its desire to be a North American nation by joining the North American Free Trade Agreement in 1994, Canada has had a distinctly mixed, uneasy response. While officially welcoming Mexico, many of those who advocate much closer Canada-U.S. ties appear to resent Mexico's joining the club.

One reason would seem to be that Canada and Mexico are now in competition for U.S. attention—hence the jockeying over who has the first meeting with a new U.S. president—or that Americans would favour Mexico over Canada.

When president Vicente Fox visited George W. Bush in the White House in 2001, Bush declared that “the U.S. has no more important relationship in the world” than the one with Mexico. This was quickly misinterpreted by paranoid Canadians as meaning Mexico, in fact, had become more important than Canada in the eyes of the new U.S. administration.

This fear can be found more recently in a report of the Carleton University Canada-U.S. Project, which argues for much greater focus on Canada-U.S. relations. It sees Mexico as a distraction and little value for Canada from trilateral summits.

“There is much more common ground between Canada and the United States—i.e. ‘Upper North America’—than there is between Mexico and either of its northern partners,” the report argues.

Of course there are issues where Mexico is not engaged, such as Arctic sovereignty or commitments in Afghanistan. But there are many more issues where there is a trilateral interest. These include drugs and crime, migration, securing borders against terrorism, addressing climate change and energy security, agriculture and, now, the threat of American protectionism.

Moreover, it is likely that whoever sits in

the White House today must inevitably pay more attention to Mexico than to Canada. The issues there are more urgent and threatening for the U.S., or offer greater potential. This is why Secretary of State Hillary Clinton will spend two days there on March 25-26 and why U.S. President Barack Obama will visit in April. He had already met with Mexican President Felipe Calderon in Washington, just before his January inauguration.

The first reason Mexico is so high on the White House agenda is the dangerous war underway in the United States between powerful drug cartels and the Mexican state. These powerful drug cartels have carried their conflict over into the United States and more recently, it seems, even into Canada.

A recent report by the U.S. Joint Forces Command warned of the growing power of criminal gangs and drug cartels. “The growing assault by the drug cartels and their thugs over the past several years reminds one that an unstable Mexico could represent a homeland security problem of immense proportions to the United States,” it said, comparing instability there to the situation in Pakistan.

The second is the issue of migration. There are an estimated 6 million or more illegal Mexican immigrants living in the United States, and this number is likely to grow. This has led to U.S. plans for a 1,700-kilometre wall along the Mexico-U.S. border. Interestingly, the largest number of refugee claimants in Canada now comes from Mexico and there are now concerns over illegal Mexican immigration here as well.

The third reason is that Mexico has much greater growth prospects than Canada, given its much younger and larger population and the potential to raise productivity. By 2015, Mexico is expected to have 20.8 million young people between the ages of 15 and 24 out of a total population of almost 120 million people, compared to about 105 million now. Mexico will add almost one-half of a Canada between now and 2015. The median age of Canadians is 37.6 years, compared to 23.3 in Mexico.

In a recent revision of how it measures economies of countries around the world, the

World Bank found that on a purchasing power parity basis, in 2005 U.S. dollars, Mexico had a slightly larger economy than Canada. Mexico ranked 12th in the world and Canada 13th. And the gap between Canada and Mexico is expected to widen significantly.

PricewaterhouseCoopers has shown the shift that is occurring in the North American auto industry. Between 2007 and 2012, it estimates, Canadian production will decline 20.2 per cent and U.S. production by 6.1 per cent. But Mexican automotive production is expected to grow 32.7 per cent. Last year, Mexico became the second largest auto manufacturer in North America, after the United States. It had already replaced Canada in 2001 as the largest exporter of auto parts to the United States.

Finally, Hispanic-Americans represent a growing share of the U.S. population, and have already become a significant political force. This trend will continue, with more Hispanic-Americans in elected office and other senior political positions.

The U.S. Census Bureau, in its projections, shows more rapid population growth in the U.S. southeast and southwest, which will mean a growing share of future electoral college votes, which determine the presidency, and a growing share of seats in the U.S. House of Representatives in states with strong Hispanic populations.

Added to all of this, the U.S. is concerned over the impact of its recession on Mexico since this will mean fewer exports for Mexico, fewer U.S. tourists, lower remittances home from Mexicans working in the U.S. and less foreign investment—in a country with weaker social safety nets.

To be sure, Canada has expanded trade with Mexico since NAFTA came into being, though Mexican exports to Canada far exceed Canadian exports to Mexico. Last year, for example, Canadian exports to Mexico amounted to \$5.8 billion, while Canadian imports from Mexico totalled \$17.9 billion, for a trade deficit with Mexico of \$12.1 billion. In 1994, when NAFTA came into being, Canadians exports to Mexico totalled \$1.6 billion while imports from Mexico amounted to



Prime Minister Stephen Harper and Mexican President Felipe Calderon in August 2007.

\$3.3 billion, for a trade deficit with Mexico of \$1.7 billion.

Some major Canadian companies also have important investments in Mexico, including Bombardier, Magna International and the Bank of Nova Scotia.

Moreover, in 1994, the Chretien government launched the Canada-Mexico Partnership with Mexico. This agreement has created working groups for co-operation in a number of sectors including agriculture, labour mobility, energy, the environment, housing, education and trade, investment and innovation. The agreement was reaffirmed when Mexican President Felipe Calderon visited Ottawa in August 2007.

Rather than trying to create a two-speed NAFTA, with Mexico shuffled off to the sidelines while Canada and the U.S. cozy up, Canada should accept the reality that Mexico is likely to become a much more significant player in North America.

If it defeats the drug cartels, which it can, then it will concentrate on the road to social and economic progress. If it doesn't, and becomes a narco-state (much less likely), then it will also be more significant, though for much different reasons.

Either way, Canada should be paying more attention to Mexico, not wishing it would somehow go away.

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Our Disappearing Cuba Advantage

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Opinion

At a time when Stephen Harper claims to be pursuing an invigorated policy towards Latin America, he is ignoring Canada's natural advantages in Cuba—one of the region's most important countries.

Sadly, a conservative ideology, supported by lethargy in the Pearson Building in Ottawa, has taken the place of pragmatism and common sense. Put simply, official Canadian policy towards Cuba is now mimicking a failed approach of the Bush years—precisely when the Obama administration is initiating a more moderate Cuba policy.

There are many examples to illustrate this ill-considered deference to official Washington. For one, Ottawa has done nothing to protest the fact that holders of Mastercard credit cards drawn on Credit Union accounts in Canada can't use their cards in Cuba since the company was sold

to a subsidiary of the Bank of America. In other words, Canadians are now subject to the extraterritoriality of a U.S. law.

The mandarins and prime minister seem unaware of Cuba's importance in Latin America and the Caribbean.

For example, there are over 30,000 Cuban health personnel working throughout the region (more than all of the G8 nations combined). Additionally, Cuba is the elected leader of the 118-nation Non-Aligned Movement, was elected to the UN Human Rights Council with the support of 135 nations (five more than Canada), and was also recently elected to be a member of the Rio group of nations at a Latin American and Caribbean summit (to which Canada and the United States were not invited). As a symbol of its international support, the October 2008 UN General Assembly vote condemning the U.S. embargo (185-3) speaks volumes about Cuba's international legitimacy.

Cuba, in sum, punches way above its international weight class. Indeed, the recent visit of President Colom of Guatemala was the fifth in 2009 by a Latin American president (after official visits by the leaders of Panama,

Ecuador, Argentina, and Chile). Mexico's President Felipe Calderón is soon to arrive.

Canada has an enviable position in Cuba—two-way trade exceeds \$1.5 billion, 800,000 tourists visit annually, it is the largest single foreign investor, and it has a long and storied relationship (Canada and Mexico were the only countries in the Western hemisphere not to break diplomatic ties in the early 1960s). And, no less important, the Cubans respect us enormously, as is symbolized by the 2 million Cubans who participate annually in the Terry Fox run.

Yet the Harper government ignores that goodwill and neglects the bilateral relationship's huge potential. Following the recent devastating hurricanes in Cuba (causing \$9 billion US in damages), Canada offered just \$1 million in aid, less than Trinidad and Tobago, Algeria, and Namibia.

But the Obama White House isn't making that mistake. The president has criticized the detention centre at Guantanamo, and has vowed to close it within a year. U.S. food exports to Cuba have increased—to \$710 million (US)—in 2008, and have already surpassed Canadian exports. Obama has also promised “unrestricted rights” for Cuban-Americans in terms of trav-

el and financial remittances to Cuba. A bill to lift the 1963 travel ban on U.S. citizens has been introduced in the House of Representatives, which could result in 3 million Americans travelling to Cuba annually. And Obama has expressed a willingness to meet with Cuban President Raúl Castro.

The Canadian government's approach to Cuba, then, is out of sync. The Harper government is spurning our historic relationship, needlessly sharpening its rhetoric, and pursuing a (failed) policy similar to that of the Bush administration—all at a time when the Obama administration is looking to change the tenor of U.S.-Cuba relations. Regrettably, Ottawa doesn't seem to be aware of this dynamic. Moreover, if the Harper government does not revitalize our engagement policy with Cuba, Canada faces the very real prospect of jeopardizing its longstanding bilateral advantages and leaving its hemispheric interests in tatters.

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