



# HORIZONS

EMERGING DEVELOPMENTS AND KNOWLEDGE IN PUBLIC POLICY RESEARCH

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## Welcome!

While there is a long history of north-south exchanges in North America, there has been fundamental change in recent years. Under the influence of the North American Free Trade Agreement and other factors, new and more intense linkages of many kinds are emerging across the continent. These linkages are central features of the context for public pol-

icy making in Canada. They also have impacts for the domestic policy agenda, in the immediate and medium terms.

This issue of *Horizons* is devoted to Mexico. It examines recent political, economic and social developments, the diversification and strengthening of Mexico's relations with Canada and

implications for Canadian public policy. We are honoured that Mexico's Ambassador to Canada, H.E. Ezequiel Padilla Couttolenc, and Canada's Ambassador to Mexico, H.E. Keith H. Christie, have contributed feature columns. Their perspectives confirm the importance of improving our capacity for policy research on Mexico.

## The New American Continent

"The European conquerors who created New France, New Spain, and New England, thus sowing the seeds of Canada, Mexico and the United States, shared the old world they all came from. Yet starting at roughly the same time in broadly the same place the three countries that grew up on the North American continent created their own very different versions of a new world. For half a millennium, these three universes existed side by side, sometimes warring with each other, often times at peace, yet separated by

boundaries and prejudices far stronger than any customs stations or border posts could ever be. Then, almost exactly 500 years after Columbus stumbled into the new world, the harsh reality of a rapidly changing economic order, combined with the ineluctable tug of our own past, began to profoundly transform the relationship among the three American nations."

For more information, see DePalma, Anthony. *Here: A Biography of the New American Continent*. New York: Public Affairs, 2001.

## Policy Reflections

"Chance favours  
only the prepared  
mind"

- Louis Pasteur

## Next Up!!!

Communities are where citizens live. They are where people experience change, but are also a source of stability and support in the face of such change. Canadian society is currently undergoing profound transformations that are affecting all communities and the ties that bind them. The next issue of *Horizons* will take a brief look at the research and discoveries up for discussion at "Bringing Communities Together," the fourth National Policy Research Conference. In particular, the conference will be examining innovative, sustainable, socio-cultural and virtual communities. It will be held on December 5-7, 2001, at the Ottawa Congress Centre. If you know of any research or programs that might be of interest to readers, please contact us by e-mail at [horizons@prs-srp.gc.ca](mailto:horizons@prs-srp.gc.ca) or by telephone at (613) 947-1956.



*Executive Brief*



## Does Mexico Matter?

Virtually no facet of life in Canada is immune from the American influence, especially since the United States became Canada's most important trading partner in the early part of the last century. Not surprisingly – and correctly – the US and our bilateral relationship are central preoccupations.

In contrast, there has historically been a lack of interest between Canada and Mexico. This is largely due to the absence of strong geographic, economic and political ties.

For some, to focus on Mexico and the Canada-Mexico relationship betrays a fundamental misunderstanding of the asymmetries that characterize the political and economic realities of North America. For others, Mexico matters to Canada and to Canadian policy makers primarily because of the close ties it has to the United States and the centrality of the latter to us. Using this logic, to the degree that the Bush administration pursues a Mexi-centric policy agenda, reverberations for Canada would not be unexpected.

We believe, however, that in the post-NAFTA era, Mexico warrants serious and direct attention on the part of Canadian policy makers, businesses, non-governmental organizations and citizens.

### *THE IMPORTANCE OF MEXICO*

Consider, for example, the nature of economic ties and opportunities. Trade linkages between Canada and Mexico have intensified since 1993. Mexican exports to Canada have jumped 350% to \$USD 12.1-billion and Canadian exports to Mexico have increased more than 400% to \$USD 6-billion. While the United States continues to be Canada's leading source of imports, Mexico now holds fourth spot.

In the same period, the Mexican economy has undergone a major diversification. Mexico has also extended its market access by signing free trade deals with the European Union and most countries

in Latin America. Further economic modernization should be expected to open the door to an even stronger Canadian investment presence and create the conditions for increased trade between the two countries.

Similarly, Canada and Mexico face many similar policy challenges and there is growing recognition that some of the key challenges are collective or supranational in scope, if not continental. Whether it is addressing air and water pollution, promoting cultural diversity, improving the quality of life of Aboriginal peoples, rejuvenating transportation systems, considering options for energy policy or introducing measures to promote and sustain a more innovative economy and society, the two countries have much to

learn from each other about what works, what doesn't and why. Lesson-drawing may also point to opportunities for collaboration, for instance on developing the more coordinated and integrated policy approaches that are required in the case of transboundary issues. Another area which merits close attention is the increasingly evident non-economic dimension of the stronger ties between Canada and Mexico and the consequent implications for public policy.

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### *GROWING SALIENCE OF NORTH AMERICA*

In parallel with discussions about further implementation of NAFTA and strategies for ensuring its benefits extend to all regions and social sectors, the salience of "North America" – and especially the idea of a "North American community" – has increased. While the idea is not yet well-understood, it is generating critical thinking by scholars and policy makers alike. Significantly, Mexico is one of the idea's strongest proponents. As one of the countries sharing the North American space, Canada has a clear interest in examining a range of alternative futures for the continent.

*...we must get to know Mexico better. Deepening our understanding of the country and its people is a precondition for improving the capacity of Canadian policy makers to "factor Mexico in."*

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For these reasons and many others, we must get to know Mexico better. Deepening our understanding of the country and its people is a precondition for improving the capacity of Canadian policy makers to “factor Mexico in.” It is necessary, too, if we are to “fully realize the tremendous potential of North America” as agreed to by President Fox, President Bush and Prime Minister Chrétien at Quebec City in May.

For the Policy Research Initiative, helping to improve policy capacity on Mexico and North

America more generally is a top priority. We hope you will see this edition of *Horizons* as a launching pad for learning more about Mexico and for undertaking policy research to fill knowledge gaps that are mounting in importance.



Laura A. Chapman  
 Executive Director,  
 Policy Research Initiative

## *PRI Update*

### North American Linkages Research Project

The Policy Research Initiative (PRI) recently launched three horizontal research projects on key policy issues for Canada: North American linkages, social cohesion and sustainable development. The three projects draw on the expertise of researchers and decision makers in the federal government, the academic community and the private and non-profit sectors, to expand the knowledge base and research capacity needed for enlightened public policy in these fields.

The project on North American linkages (NAL) focuses on the deepening of ties between Canada, the United States and Mexico. The North American Free Trade Agreement has been a driving force behind the increase in trade and the growing integration of markets in the three countries. But the scope of the NAL project is wider. It is examining not only the economic dimensions of the “linking up” of North America, but also the social, institutional, environmental and other facets and their implications for Canadian public policy.

The NAL Project is being led by the Deputy Minister of Industry Canada, V. Peter Harder, and Assistant Deputy Ministers Avrim Lazar (Human Resources Development Canada) and Andrei Sulzenko (Industry Canada). Over 30 federal departments and agencies are actively involved.

In the months ahead, research activities will be addressing four overarching themes:

- What is the nature and scope of North American linkages?
- How can we ensure sustainable wealth creation?
- How can we enhance the Canadian way of life?
- How can we manage our relations with our North American partners?

These themes are currently being examined in a range of policy areas identified by departments as key priorities in the emerging continental context: labour mobility and acquisition of human capital, social protection, border issues, sustainable development, investment and trade, productivity and innova-

tion, governance and institutional agreements, as well as questions of identity, values and socio-cultural space. Working groups are developing detailed research proposals. In addition, an overview report on the current state of knowledge related to North American linkages and gaps in research and data is being prepared.

The PRI is launching a seminar series on North American Linkages in September. This will provide an important forum for sharing knowledge – both existing and new – on the issues noted above, debating the latest findings with leading researchers, identifying emerging issues and discussing approaches to ensure the knowledge generated through the project informs the policy process.

For the latest developments and activities on the NAL project, consult our web site at the following address: <http://policyresearch.gc.ca/nal-e.htm>.

**North American Linkages Team**



*Feature Columnist*



## Neighbours at Last: *Canada and the New Mexico*

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 close 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 1991-93, at the time a controversial but forward-looking decision that among other impacts certainly heightened the profile of

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*"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.*

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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 Leaders' Meeting of 1998. Most particularly, the extraordinarily dynamic third Summit held in Quebec City last April, with its solid action plan and new Executive Council, 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.

In a sense, these four events became feasible and sustainable because of profound changes in the approach of the region toward 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 15-20 years ago. Yet each of the four turning points that I have highlighted was not just the result of fundamental shifts in Latin American societies, but also created its own subsequent dynamic which has helped, in turn, to strengthen democracy and markets as well as more direct involvement of governments (including very actively the Canadian government) in promoting these same principles.

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Others view Canada and increasingly Canadians and the Canadian government view themselves as integral members of the broader hemispheric family. This hemisphere is our neighbourhood. And apart from the United States, this neighbourhood 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.

**PRESIDENT FOX'S PRIORITIES - RECURRENT THEMES**

Although Vicente Fox has 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 (*writ large* (NGOs, business associations, media, academics) over the last 10-15 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 through proposals which include significant tax reform to increase government revenue as a percentage of GDP to a level more in keeping with the regional average in order to finance social and economic developments; 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 arm's-length state corporations operating in more competitive energy markets; a massive overhaul of labour 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 the Federal District.

And finally, I would highlight the Administration's inherent **continentalism**. The Fox Administration has been correctly active in promoting Mexican foreign

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policy and trade and investment interests with partners in Europe, Latin America and Asia. Nonetheless, it is also true that the Government clearly 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 neighbourhood.

#### **CONSEQUENCES FOR CANADA AND CANADIAN RESPONSES**

One clear consequence of the transition underway here in Mexico is that the personal dynamism between US President Bush and Mexican President Fox is strong, with the result that the US Administration will look increasingly as much South across the Rio 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 southern neighbours to ensure that both Canada's bilateral relationships ("Canada-US" 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 government 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 3-4 years Mexico will surpass the UK 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 currently underway to explore what a NAFTA-plus agenda might look like.

In addition, further economic modernization in Mexico should open the door to a larger Canadian investment presence in Mexico, with the energy sector being 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, the Energy Ministers of Canada, the US and Mexico created earlier

this year 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

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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 Elections 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 life-long 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 minerals 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 labour market demand justifies such an extension to both countries' mutual benefit.

The Mexican Congress is quickly emerging as important 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 House of Congress and the relationship between the President and his own party caucus in Congress is still being fashioned. Consequently, 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*

Partly as a result of Canada recognizing the accelerating, on-going activity and 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.

**H.E. Keith H. Christie**  
 Ambassador of Canada to Mexico



*Eyewitness*

## The New Dynamics of North America: *Implications for Canada of New Administrations in the United States and Mexico*

Match the following statements to the correct country – the United States or Mexico:

*“The most recent presidential election can be characterized as democratic, open, transparent and the results were incontestable.”*

*“The result of the most recent presidential election divided the nation, was less than transparent, elicited allegations of electoral malfeasance, and had to be settled by the courts.”*

It was with this ironic situation as a backdrop that a group of senior federal, provincial and territorial public servants participated in a study tour of Ottawa, Washington and Mexico City organized by the Public Policy Forum in May 2001. The goal of the study tour was to examine the possible implications of the Bush and Fox Administrations for Canada in the context of the growing linkages between the three North American partners. Few, if any, would argue that Canada's relations with the United States have played – and will continue to play – a major part in Canada's domestic policy making and its foreign relations. Almost every phrase we use to describe our relations with the United States has become a cliché: the longest undefended border, the world's largest trading relationship, the historic and cultural ties. But as Vincent Massey, Canada's first diplomatic representative to the United States in 1926 remarked, clichés are truisms.

Canada's relations with Mexico are more recent and still under-developed. The North America Free Trade Agreement (NAFTA) has provided an impetus to closer ties, but they are conducted under the shadow of both our relationship with the United States, and Mexico's own preponderant links with its immediate northern neighbour.

The visits to Washington and Mexico City provided study tour participants with an opportunity to appreciate and begin to understand the intricacies of the political and policy-making processes of both countries, to put them in a broader continental

framework and, hopefully, to be able to arrive at some conclusions about implications for Canadian policy.

In each of the three capitals, the group held discussions with a broad cross-section of actors in both the political and policy communities – diplomatic representatives, think tanks, the media, special interest groups, academics and public servants.

The Washington discussions portrayed the new administration in an (early) state of disorganization due in large part to its inability to nominate and put through the US approval process candidates for senior departmental and agency positions. The result seemed to be a serious policy vacuum, a situation foreign to the Canadian system and disquieting to bilateral partners with important issues needing resolution. The incident surrounding Canadian seed potato exports was presented as an example of an issue that might have been handled differently by the Americans had there been experienced and informed senior bureaucrats in place.

Special interest groups, often in the guise of think tanks or research organizations who are adept at pushing policy buttons, particularly as there has been a change in the political party in power in the White House, are filling this policy void. While this may seem unusual to non-Americans, the influence of these organizations is normal, accepted and pervasive in the American system. The lesson for Canada is to play the game and use these influencers of United States policy to advocate Canadian policy positions. As the late Tip O'Neil said, “All politics is local.” If one can neither vote nor contribute to American political parties, the normal levers of influence are not available and other routes and mechanisms must be found.

There seems to be a strong element of “benign neglect” on the part of United States policy makers toward Canada. Issues that we may perceive as important and demanding attention are given much

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less priority in the United States. Combined with a stronger focus on the US-Mexican relationship, where there are perceived to be “problems” that need resolution (e.g. drugs, illegal immigration), these issues make our diplomatic efforts in the United States more difficult to carry out and bring to a successful conclusion.

Mexico City was different in more ways than simply geography and language. From the generally orderly and symmetrical Washington to the teeming, chaotic and immense (22+ million inhabitants)

Mexico City requires a fundamental shift in attitudes and perceptions. The Administration of Vicente Fox is asking Mexicans to look at themselves in new ways – how they are governed, what is important in their lives, how they are viewed by and view the rest of the world. The manner in which Fox has organized and characterized his Cabinet is an indication. He has three Cabinet ‘groups’: the Economic Cabinet, the Social Cabinet, and the Order and Respect Cabinet. The last asks Mexicans to work with the new administration to overturn centuries of bribery, corruption and violence, with the reward being a new order that will provide nothing less than equal opportunity to all citizens.

Underlying and affecting everything in Mexico is the grinding poverty that is the lot of 40-50% of all Mexicans. There is high expectation that Fox will change these numbers, that Mexicans whose only legacy has been poverty will shed it forever. The enormity of this task is clearly recognized; the prospects for success are not so clear. Fox has stated that one of Mexico’s goals is to achieve a standard of living equal to Canada and the United States. He has

translated this objective into specific targets for his Cabinet ministers and clearly has challenged them to manage the country differently than in the past. The enthusiasm for this massive ‘change management’ exercise is palpable. It was most evident in

the exchange the group had at the Mexican Ministry for Foreign Affairs at which Canada was admonished for being “timid” in its reaction to President Fox’s attempt to open the dialogue on the future of the North American partnership.

*INDEED, WHERE DO WE GO FROM HERE?*

Mexico is ‘pushing the

envelope’, beginning to articulate a vision for deeper and broader North American integration. Washington and Ottawa have yet to respond in kind. Canada has generally followed a more incremental and pragmatic approach in recognition of the asymmetry in the two bilateral relations, and the inherent differences in issues between the United States and Mexico and the United States and Canada. Despite the close relationship that President Bush seems to have established with his Mexican counterpart, this has not yet translated into a significant difference in the practical expression of US foreign policy toward Mexico. The traditional problems and the US approach to them are still at the heart of the relationship. How successful President Fox is in convincing Ottawa and Washington to be visionary will depend in part on his ability to work with the new Mexican Congress to accept his often ambitious proposal for change. His journey will be fascinating to watch.

**Doug Rosenthal**  
Acting Director,  
Natural Resources Canada

*How successful President Fox is in convincing Ottawa and Washington to be visionary will depend in part on his ability to work with the new Mexican Congress to accept his often ambitious proposal for change. His journey will be fascinating to watch.*



Feature Columnist



## The “New North American Agenda” and the Energy Markets

### AN “INTER-MESTIC” TRILATERAL RELATION

On July 31, 2001, the Mexican Ministry of Foreign Affairs distributed an internal communiqué about the US Senate Judiciary Committee’s approval of an amendment to the *US Legal Immigration and Family Equity Act 2000*. Should the US Congress approve the amendment, it will provide regularization opportunities for undocumented immigrants who are relatives of permanent residents, have job offers that have been approved by the US Department of Labor or who have entered the country before December 21, 2000. The Mexican Ministry of Foreign Affairs estimates that between 300,000 and 500,000 Mexicans of the approximately three million undocumented Mexicans who live in the United States could benefit from the approval of the initiative. A few days later, a principal Canadian newspaper published an article (Simon Houpt, “US May Expand Immigration Offer,” in *the Globe and Mail*, July 28, 2001) briefly describing the intense dialogue taking place between Mexico and the US on the issue of undocumented workers. The article suggests that the possible approval of a temporary worker program, as being requested by Mexico, could also benefit Canadian citizens who are currently residing illegally in the United States.

After reading both documents, we confirm that the efforts being made by the government of President Vicente Fox to address one of his administration priorities – migration – in a timely and efficient manner have produced results in a short period of time. We also corroborate that it is increasingly difficult to “isolate” an issue and classify it as being exclusively Mexican, American and/or Canadian. As some international relations scholars have so aptly noted, an “inter-mestic” trilateral relationship is coming to life, simultaneously including both international and domestic issues.

### THE “NEW NORTH AMERICAN AGENDA”

The process of identifying a “New North American Agenda” is an undeniable reality. With the term “New North American Agenda,” I am not referring only to that institutionalized under the North American Free Trade Agreement (NAFTA). Although NAFTA has been the driving force for the process of regional economic integration, a series of additional issues that are not included in the Agreement should provide guidelines for conceiving North America as a region that interacts with an increasing sense of community. In other words, the “New North American Agenda” should include an array of trilateral matters – different from those already included in NAFTA – that are fostering a new sense of community

among our nations. As the North American leaders indicated in the political declaration issued after their first meeting in Quebec last April: “The ties that link us – human, social, cultural and economic – are becoming stronger. Fully realizing the tremendous potential of North America is a goal we all share.”

Although the nature and dynamics of the phenomenon of migration between Mexico and the United States may be very different from those experienced between the latter and its neighbour to the North, and between Canada and Mexico, it seems that any consensus reached at the bilateral level will have repercussions on the third country. Several of the issues included in the bilateral agendas are beginning to take on a North American dimension. Migration is one of these, as are higher education, border administration, water management, the fight against organized crime and, without doubt, the energy markets.

Energy is a case in point, in light of the following considerations:

- Mexico, Canada and the United States share the goal of guaranteeing a reliable supply of energy, with the purpose of increasing the efficiency of their respective production activities and their energy markets. If we briefly analyze the

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energy needs and how the exchanges are happening in North America, it is possible to observe that the three countries are immersed in a “symbiotic” relationship and that a revision of the trilateral energy policies is urgent.

While the United States imports 58% of its oil, 40% of Mexican oil exports go to its northern neighbour. Likewise, close to 100% of US electricity imports come from Canada, representing 8% of US supply; and Mexico sells California part of its excess electrical energy, which at the moment supplies power to at least 250,000 homes.

- A study of the characteristics of the energy trilateral cooperation illustrates that the “sense of community” – in contrast to what one might initially think – has not been brought about only by governments. An innovative cooperation scheme exists whereby businesses, civil society and different levels of government from the three countries have developed their own synergy. Governmental and non-governmental actors have woven a network of interests and opportunities that naturally begin to form a sense of a shared North American identity. The meetings and

exchanges between said players are occurring on an increasingly frequent basis, and this has brought about a more intense interaction. Just mentioning some of the events that have been held in the

*Although NAFTA has been the driving force for the process of regional economic integration, a series of additional issues that are not included in the Agreement should provide guidelines for conceiving North America as a region that interacts with an increasing sense of community.*

last four-month period will be enough: a) two meetings between President Vicente Fox and the business leaders of the twelve top Canadian energy companies; b) a meeting between Alberta’s Premier Ralph Klein and US Vice-President Dick Cheney; c) a visit by Mexican Secretary of Energy, Ernesto Martens, to Regina and Calgary, during which he exchanged views with Premier Klein and followed up on the dialogue with the dozen western Canadian energy companies that had met previously with President Fox; and d) the celebration of the Mexico-Canada Bilateral Energy Meeting in Mexico.

These exchanges demonstrate that a synergy dictated by the needs of the trilateral energy market is a reality. In light of this and as part of the agreements reached in Quebec City last April, the three countries established a

North American Working Group on Energy and charged it with identifying – from a purely technical perspective – the challenges and opportunities for strengthening and expanding the field of energy cooperation in the region. With the creation of this working group, the three governments have set aside the political frameworks in order for technicians to analyze

objectively the energy needs of the region. Today, before planning and implementing policies and strategies, the North American leaders want to listen to the recommendations put forth by energy experts. The conclusions and recommendations this group will ultimately come up with will be crucial in determining the future of North America and will probably act as the basis for a shared energy policy.

***THE MEXICAN ENERGY MARKET***

The technical work that the trilateral task force will eventually put forth will be of great relevance to Mexico, as energy remains one of Mexico’s most important economic activities and continues to

*Continued on page 12*



*Continued from page 11*

be the main source of government revenues. Energy related activities represent 3% of Mexico's GDP, while hydrocarbon revenues make up 36% of fiscal income. Almost 40% of the total public investment is directed to energy projects. In addition, Mexico remains one of the top 10 producers of crude oil worldwide, and taking into consideration its reserves, it emerges as the fourth-largest source of natural gas in the continent after the United States, Venezuela and Canada. While one of the world's largest oil producers, Mexico faces serious energy limitations, ergo, the country's energy future is not guaranteed. Official estimates indicate that by 2009, local natural gas supply will cover only 76% of national demand. In addition, the demand for electricity will require a doubling or tripling of the production of natural gas in Mexico. Energy markets are not flawless; therefore cooperation among North American neighbours is seen as crucial.

Mexico's Secretary of Energy, Ernesto Martens, has indicated that the Mexican energy sector will require – in the same period of time – an investment of approximately \$USD 131 billion. Currently, Mexican government funding will only cover 54% of total required investment; the remaining 46% is expected to be financed through foreign investment. Some Canadian businesses have initiated a dialogue with key players within the Fox Administration regarding opportunities for furthering investment in Mex-

ico and to explore ways by which Canadians can contribute to that 46% required from foreign investors. Given the limited nature of government funds and pressing energy needs, participation of the private as well as the foreign sector is, thus, essential.

With the purpose of promoting this participation, the Mexican Executive will soon present to Congress an initiative to carry out a structural reform of the Mexican energy sector. Although the ultimate purpose of such structural reform will be to meet long term national demand for energy, it will also carry out a gradual transformation of the energy sector from a state monopoly to strategic control by government companies. The initiative will create new mechanisms to encourage private participation in the development of Mexico's infrastructure in gas, electricity and renewable energy, thus avoiding the privatization of state companies such as *Petróleos Mexicanos* (PEMEX). The idea is to transform state energy entities into world-class companies, capable of providing national needs, internationally competitive in terms of quality and cost. The Fox Administration believes that strategic control of the energy sector brings greater advantages to Mexicans, and efforts are being made to consolidate the opening up of the industry and to find new co-participation formulas for private and foreign investment.

However, without the need to implement any sort of reform, the Mexican energy industry today offers a wide range of investment

opportunities, particularly in the areas of: a) new generation, co-generation and self-supply electric plants; b) exploration and production of non-associated natural gas; c) construction of maritime terminals for liquified natural gas; d) expansion of the natural gas pipeline network; e) new participation mechanisms in the liquified petroleum gas market; f) natural gas and electricity border interconnections to facilitate the development of the North American energy market; and g) new energy infrastructure associated to the Puebla-Panama project which will promote the economic development of the region that begins in South East Mexico and includes all of the Central American countries.

#### *POSTSCRIPT*

I am concluding my posting as Ambassador of Mexico to Canada at an exciting and intriguing moment for North America. To foresee the future of the region with precision and certainty is, without a doubt, a complex task. Nevertheless, this does not prevent adventuresome souls from designing and presenting viable scenarios for the future of the continent. Although it is still early to know the destiny of our region, the issue of energy, to mention but one, urges us to reflect on the medium and long term future of the region, in order to identify more adequate and convenient formulas that respond to the real North American dynamics.

**H.E. Ezequiel Padilla Couttolenc**  
Ambassador of Mexico to Canada



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Canada



*In this issue*



## Canadian Connections



**Extension School of the National Autonomous University of Mexico (UNAM) in Canada [Escuela de Extensión de la Universidad Nacional Autónoma de México en Canada]** – UNAM's Extension School in Canada is located in Hull, Quebec. Its aim is to strengthen the academic bond between the different components of UNAM and its Canadian counterparts in the fields of teaching, research and dissemination of culture. To this end, the school offers ongoing courses in culture and in Spanish as a second language. It also organizes all kinds of academic and cultural activities in Hull as well as at UNAM's main campus in Mexico and its other extension school in San Antonio, Texas, using the latest distance education technology. More information about the Extension School can be found at: <http://www.unameseca.com>.

**Continental Integration Research Group [Groupe de recherche sur l'intégration continentale] (GRIC)** of the Université du Québec à Montréal – GRIC is engaged in studying the phenomenon of international economic integration, particularly as it is seen in the Americas, but also in its new forms in other contexts. GRIC comprises two teams: one working more specifically on industrial reconversion, and the other, on the civil dimensions of continentalism. Background information and basic statistical data on major sub-regional agreements are available at the following

address: <http://www.unites.uqam.ca/gric/index.htm>.

Carleton University's new **Centre on North American Politics and Society** is dedicated to the study of the evolving relationships between Canada, Mexico and the United States. Its particular focus is the political, social and cultural processes defining the North American region. The Centre seeks to promote a dialogue among a network of scholars and policy makers working in the area of North American studies in the three countries by establishing linkages with other university research centres, think-tanks, and governmental, inter-governmental and non governmental actors. More information about the Centre can be found at <http://www.carleton.ca/nac>.

**Viva Canada-Mexico** is Canada's Department of Foreign Affairs and International Trade's one-stop-shop for information on Mexico and Canada-Mexico relations. The latest news and events, facts and figures on trade and investment, culture and education pro-

grams, activities and exchanges along with travel and tourism ideas and guides can be found at <http://www.dfait-maeci.gc.ca/mexico/menu-e.asp>.

**Quebec Network on Continental Integration [Réseau québécois sur l'intégration continentale] (RQIC)** – The RQIC is a coalition of research teams and grassroots, union, international cooperation, community and environmental groups. Its objective is to propose a vision of development for the Americas that is respectful of social, labour and human rights, and to promote democracy, involvement, respect for the environment and the eradication of poverty throughout the continent. The RQIC has developed linkages and exchange initiatives with other similar networks in Canada, Mexico, the United States and, more recently, Brazil, Chile, Peru and Central America. For more information on the network, consult its site at the following address: <http://www.alternatives.ca/rqic>.

KP

## Intelligent Transportation Systems

The May 2001 issue of *Horizons* highlights a growing and innovative area in transportation known as Intelligent Transportation Systems or ITS. For more information, see ITS Canada's website at <http://www.itscanada.ca> and Transport Canada's web site at <http://www.its-sti.gc.ca>.

Transport Canada's site includes a link to an invitation to proposals announced on June 11, 2001 by David Collenette, Minister of Transport, for ITS deployment and integration initiatives.

*From the Cyberzone*



**<http://www.lib.duke.edu/ias/latamer/mexico.htm>**

The Duke Center for North American Studies has developed **Mexico within the North American Context**, a compilation of Mexican Internet sites of interest to researchers and policy developers working on subjects related to Mexico, and particularly, Mexico within the North American context. The site offers information and links to sources reflecting six central areas of investigation: communication and cultural production, environment, sub-national implications of regional integration, institutional change, migration and regional and national identities. Links are provided to several databases, including the Mexico Legal Database which contains information on government and laws relating to trade.

**<http://www.conahec.org>**

The Consortium for North American Higher Education Collaboration (CONAHEC) seeks to improve academic cooperation in the North American region by building a strategic partnership among higher education institutions, national associations, foundations, government agencies, and corporations. To advance this work, CONAHEC has established **EL NET (The North American Educational Leadership Network)**, the online networking tool for higher education collaboration in North America. Along with a resource library and funding tips, EL NET offers a searchable "Matchmaker Database" where you will find partners and opportunities in such areas as research, internships and consulting.

**<http://www.northamericaninstitute.org>**

The North American Institute (NAMI) was founded in 1988 to promote new approaches to North American issues and deepen trilateral understanding. NAMI focuses on specific aspects of the North American relationship and reaches out across sectors of society as a catalyst and convener in an effort to create networks and effect real changes

in the North American community. The organization publishes NAMI-News, a quarterly newsletter of articles and reviews that looks at the socio-economic, environmental and political issues affecting the North American area.

**<http://www.naalc.org>**

**The North American Agreement on Labor Cooperation (NAALC)**, NAFTA's labour supplemental agreement, adds a social dimension to the North American Free Trade Agreement. It encourages the continental trading partners to improve working conditions and living standards, and commit themselves to promoting eleven labour principles to protect, enhance and enforce basic workers' rights. To accomplish these goals, the NAALC creates mechanisms for cooperative activities and intergovernmental consultations, as well as for independent evaluations and dispute settlement related to the enforcement of labour laws. Research reports on the garment industry, migrant agricultural workers, the employment of women, plant closings, income security and productivity can be found on the site.

**<http://www.internationalaffairs.com/Country/country.html>**

**InternationalAffairs.com** provides rapid access to news, analysis and data on a country by country basis. It was created by Oxford Analytica, a political and economic news analysis organization based in the UK, which draws on the expertise of professors in more than 100 countries to provide analysis to governments, businesses and others who need to know the implications of breaking news. The site for each country is organized into sections on news, numbers, players and analysis and by the following topics: politics, economics, social, international relations and industry. The site offers links to major Mexican government sites as well as Mexican and international news and data sources.

KP





## State-Society Relations in Mexico After the Fox Victory

Governance in Mexico is undergoing radical change. The election of Vicente Fox from the *Partido de Acción Nacional* (PAN) in August 2000, defeating the candidate of the traditional governing party, the *Partido Revolucionario Institucional* (PRI), sent shockwaves through the Mexican political system. Mexicans, accustomed to long decades of *de facto* one party rule, suddenly face an apparent dramatic change in the way they are governed. Among the ruins of the old regime a true multi-party system and a vibrant civil society have emerged. Nevertheless, the system of power in place for decades will not disappear over night but continues to influence how Mexicans are governed. For Canadians interested in engaging with Mexico, it is vital to understand this shifting terrain of state-society relations and the challenges faced by the new regime.

Between 1920 and 1988, the PRI faced no real challenge to its rule. Although opposition parties did exist, they were unable to win office at any level of government. The election of Fox thus represents the first time that presidential power has changed hands through free and fair elections. What – apart from his obvious charismatic appeal – does the Fox presidency mean for relations between the state and society in Mexico? The answer to this question is still unclear, but will depend on two factors: Fox's willingness and ability to unravel the

dense network of ties that subordinated society to the state under the previous regime, and the capacity of civil society to continue to push for change. Under PRI rule, a complex set of relationships tied groups and individuals to the state, guaranteeing political stability, but undermining the autonomy of civil society. Without access to the same type of mechanisms of control, Fox will have to find a new way of maintaining political stability while also making space for autonomous grassroots participation in decision making.

### TRADITIONAL FORMS OF STATE-SOCIETY RELATIONS IN MEXICO

Political analysis of the previous Mexican regime traditionally focused on the governing party's extraordinary ability to promote political stability after the tumultuous decade of the Mexican Revolution (1910 to 1920). One party rule is often fragile, since it usually lacks flexibility as well as political legitimacy, and thus must rely heavily on the use of heavy-handed coercion. The Mexican semi-authoritarian system differed from this pattern in several ways. First, it achieved some flexibility through the rule that the executive branch, particularly the president, is limited to a six-year term. This rule guaranteed a certain degree of alteration in state policy despite the continuity in official party rule. More important, however, was the skill with which the governing party managed its rela-

tions with civil society, diffusing and coopting challenges to its power. One tool used was a well-entrenched system of electoral fraud and vote-buying. Thanks to a process of electoral reform initiated in the 1980s and expanded by the previous president, Ernesto Zedillo, these mechanisms have been largely disbanded. However, the PRI also maintained its power through three other aspects of the political system: *corporatism*, *clientelism*, and *presidentialism*.

Corporatism is a form of political system in which a formal relationship exists between selected groups in society and the state. In contrast to pure liberal democracies where individuals are seen as the relevant political actors, in corporatism groups are seen as valid representatives of the interests of classes. Corporatist systems come in various guises, ranging from the heavily repressive fascist regimes of pre-war Spain and Germany to the much more democratic versions in several European countries like Sweden. This system was adopted by the reformist Mexican president General Lázaro Cárdenas (1934-1940) as a way of limiting the power of the dominant class and empowering subordinate groups like workers and peasants in order to achieve the ideals of the Mexican revolution. In order to enact his populist program of state intervention in the economy, Cárdenas also required a strong support base to defend

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him against conservative forces opposed to these reforms. To achieve this support, Cárdenas reorganized the dominant party along corporatist lines by creating a four-sector structure representing each of the party's sectors: labour, peasants, the military, and the so-called "popular sector" which represented the middle class, public sector workers and business. Each sector was supposed to play an equal role in state decision making (the military sector was subsequently disbanded).

After Cárdenas left office, his democratic and participatory version of corporatism was gradually dismantled. The *Confederación de Trabajadores de México* (CTM), which represents workers, and the *Confederación Nacional Campesina* (CNC) gradually became more and more the tools of the dominant party and less and less representative of the interests of their members. Leaders were imposed from above, rather than democratically elected from below. As one observer puts it, "Many large unions have been instruments of government policy, an unfailing source of electoral support for the PRI, and an ally of management rather than a countervailing force in economic life."<sup>1</sup> Participation in these corporatist bodies became the main way in which people outside the country's small economic elite could advance

themselves socially and economically, and corruption became endemic. The government could count on the votes of peasants, workers, and the "popular sector" in return for some consideration of their interests in state policy.

In addition to the formal mechanisms of corporatism, other informal mechanisms guaranteed political control. Clientelism, a system of hierarchical reciprocity in which higher-placed members of society do favours for less powerful "clients" in exchange for political support, pervades Mexican society. As well, despite a constitution that guarantees a rule of law and the separation of powers, power has in fact been highly centralized in the hands of the president, and the judiciary and Congress have been subordinated to the executive branch. Abuses of power and corruption at all levels of government were the inevitable result.

As the result of these entwined mechanisms of control over society, Mexicans lacked a sense of political efficacy – the confidence that their vote and their political participation makes any difference in how they are governed. Widespread corruption meant that Mexicans were unlikely to trust public officials or even their fellow citizens. Political apathy and cynicism were widespread. Mexicans lacked a sense of citizenship – and viewed themselves as "subjects of rights." However, the system remained

stable and broadly legitimate for many years, largely because of the "Mexican miracle" – the rapid economic growth the country experienced from the 1940s to the 1970s. Internationally, human rights abuses in Mexico received little attention for three reasons: because they were much less extreme than those committed by the military dictatorships in many Latin American states; because of US support for the Mexican regime on its doorstep; and because of the absence of a strong human rights movement within Mexico.

*THE REGIME CRUMBLES:  
 POLITICAL AND ECONOMIC  
 CHANGE IN MEXICO*

In the late 1970s and early 1980s, the "Mexican miracle" evaporated. Much of the miracle was based on unsustainable levels of debt, and the benefits of growth were not well distributed. Mexicans began to challenge the one party system and demanded more independence and accountability. An independent trade union movement emerged to challenge the corporatist CTM in the 1970s. In the early 1980s, the debt crisis struck Mexico, creating even more profound changes in state-society relations. The structural adjustment program imposed by the International Monetary Fund in return for a restructuring of the debt required cut-backs in state programs, including the funds that greased the corporatist and

*Continued on page 18*

1 Hellman, Judith Adler. *Mexican Lives*. New Press, 1995.



*Continued from page 17*

clientelist networks. Public discontent with the harsh impact of structural adjustment on living standards fueled the emergence of urban social movements, largely composed of women (who were previously largely excluded from the political system), which protested against the state cut-backs. Gradually, as well, a citizen's movement emerged to demand electoral reform and democratization. Hundreds of non-governmental organizations (NGOs) have sprung up, dedicated to such issues as sustainable development, women's rights and indigenous rights.

By the time of the 1988 elections, opposition to the governing party was widespread, coming both from the left (the *Partido de Revolución Democrática*) and the right (the PAN). The transparent fraud in these elections, which brought to power Carlos Salinas of the PRI, led to widespread public outrage. Salinas implemented economic reforms that pushed the liberalization program even farther, and also initiated NAFTA. These economic reforms continued to marginalize the traditional corporatist sectors of the party – workers and peasants – and the power of these parts of the party continued to decline. Salinas recognized that the decline of corporatism posed real risks for his party, and initiated the Programa Nacional de Solidaridad to shore up popular support. The Solidarity program distributed funds to small organized groups throughout the country which had proposed development programs for their communities. Critics

charged, however, that this program represented a thinly-disguised form of neo-clientelism, with power and resources concentrated even more than before in the hands of the president. The 1994 indigenous uprising in Chiapas, the state which had received the most money from the Solidarity program, demonstrated that these time-honoured techniques of rule could no longer guarantee political stability. As well, with NAFTA underway, the traditional willingness of the United States to overlook human rights problems in Mexico ended. Under pressure both from citizens groups within the country, and allies outside, Salinas's successor, Ernesto Zedillo, undertook significant electoral reforms that eventually resulted in Fox's election.

#### **FOX'S CHALLENGE: REFORMING GOVERNANCE**

In order to ensure fundamental change in the Mexican political process, reforming governance is key. President Fox came to power on a program that promised democracy, poverty alleviation and social justice, but is also firmly committed to free market principles. Simultaneously meeting the pent-up demands of both business and non-business civil society groups presents a huge challenge to the new regime.

In this context, there are four particularly tricky challenges for governance in the new Mexico:

- *Poverty* – Perhaps the main challenge facing Fox is addressing the problem of poverty, which is even more widespread

since NAFTA than before. Poverty is most extreme in rural areas, where the liberalization of agriculture has hit poor farmers hard. Mexican civil society organizations have demanded a more equitable economic model which meets the needs of women, the indigenous population, and *campesinos*.

- *Labour rights* – Under the previous regime, workers' rights to collective bargaining and independent organizing were curtailed. It is not clear what the new regime means for changes in labour relations, given Fox's pro-business orientation. In March 2001, an election was held at the Duro Bag Company, a maquiladora in Rio Bravo, Tamaulipas, in which intimidation was allegedly used. Mexican trade unions are calling for the enforcement of existing labour laws, but a recent World Bank report has called for increased "labour flexibility" in Mexico, implying the elimination of existing labour guarantees.
- *Indigenous Rights* – During his campaign, Fox boasted that he could solve the problems in Chiapas "in 15 minutes" and observers had high hopes for the peace process. However, in April, the new Mexican congress passed legislation on indigenous rights that failed to meet the demands of the Zapatistas (the indigenous army in Chiapas) as well as the recommendations of the COCOPA (the Congressional

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*Upcoming Events*



*Continued from page 18*

Commission for Peace and Concord). As a result, the conflict in the region continues to simmer.

- *NGOs* – The PRI regime was extremely suspicious about the role of NGOs in the political process at both the national and international levels. Fox has signaled an unprecedented degree of openness toward NGOs. To move beyond rhetoric, however, a thoroughgoing reform is needed both of the rules that govern the non-profit sector and of the policy process itself, to guarantee much greater transparency and inclusion of a wide range of voices.

As indicated at the beginning, political change depends to a large extent on the willingness of the new government to address these and other pressing challenges to governance. As well, however, it requires increased openness to civil society. In many other Latin American countries undergoing democratization, the vibrancy of civil society under authoritarianism has tended to die out after democracy has been put in place. Political cynicism and apathy are widespread in many newly democratized states, partly because the new democratic regimes fail to fulfill the promises on the basis of which they came to power. Avoiding this outcome is thus one of the main challenges facing both state and society under Fox.

**Laura Macdonald**  
 Carleton University

DATE	EVENTS
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SEPT. 24, 2001	<p><b><i>Taking Action: Canadian Solutions for Climate Change</i></b>                      Mexico City</p> <p>Industry Canada is leading “Taking Action: Canadian Solutions for Climate Change” – a climate change workshop and mission to Mexico City on September 24, 2001. The one-day workshop will showcase Canadian climate change products, services and technologies, as well as provide a forum for discussions and presentations addressing various issues. Topics will include transportation, sinks opportunities through forestry and agriculture, and the use of technology to address Kyoto Protocol reporting requirements. To be held the day prior to Enviro-Pro at the Canadian Embassy, the workshop will attract private sector partners and Latin American government decision makers. For more information please contact Michèle Kingsley via email at <a href="mailto:kingsley.michele@ic.gc.ca">kingsley.michele@ic.gc.ca</a> or by phone at (613) 946-2578.</p>
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OCT. 14-15, 2001	<p><b><i>Visioning North America: Building North American Studies</i></b>  <a href="http://www.carleton.ca/nac">http://www.carleton.ca/nac</a>                      Ottawa</p> <p>As connections between Canada, the United States, and Mexico intensify, North America is increasingly the focus of analysis for scholars in a wide variety of disciplines. Carleton University’s Centre on North American Politics and Society and School of Canadian Studies, the Center for North American Studies at Duke University and the Center for International Studies, El Colegio de México are co-hosting a conference organized around the themes of borders, governance and sovereignty, technology, culture and region, sustainable development and environmental management. For more information please visit <a href="http://www.carleton.ca/nac">http://www.carleton.ca/nac</a>.</p>
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Nov. 22-24, 2001	<p><b><i>Linking Research to Policy and Practice: Working Together for Children and Youth</i></b>  <a href="http://www.cfc-efc.ca/cccf/pdf/reg_pack_en.pdf">http://www.cfc-efc.ca/cccf/pdf/reg_pack_en.pdf</a>                      Ottawa</p> <p>As the first of five annual conferences featuring the work of Health Canada’s Centres of Excellence for Children’s Well-Being, the “Linking Research to Policy and Practice Conference,” co-sponsored by the Canadian Child Care Federation, the Canadian School Boards Association, and the Centre of Excellence for Early Childhood Development, will provide diverse stakeholders with an opportunity to share information and knowledge on five key child and youth health issues: early childhood development, child welfare, child and youth centred prairie communities, children and adolescents with special needs and youth engagement. Speakers will include: Senator Landon Pearson, Ken Dryden, Judith Maxwell, Daniel Keating and Cherry Kingsley. For more information, please visit <a href="http://www.cfcefc.ca/cccf/pdf/reg_pack_en.pdf">http://www.cfcefc.ca/cccf/pdf/reg_pack_en.pdf</a> or contact Gaétane Huot at (613) 729-5289 or 1-800-858-1412.</p>
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*Research Brief*

## The New Democratic Lexicon: The “E-Mexico” System

“Connectivity is one of the main competitive advantages an economy can have. Being connected means knowledge, vanguard and prosperity; therefore, access by our societies to communications and information systems will multiply the possibilities for human development and economic growth.”

**President Vicente Fox Quesada**  
**Puebla, May 2, 2001**

The challenge of defining the term “democracy” has been a constant in political science, yet the recent change of power in Mexico is proof that the current concept of democracy goes beyond a mere explanation of controversial electoral races or political party quotas. A new lexicon is emerging and with it new forms of governance are being put in place and linked with the traditional concept of democracy. The study of methods for accessing democratic regimes continues to be an essential part of the effort to classify political systems. Nevertheless, timely responses by governments to problems such as poverty, corruption and lack of education, among others, are fundamental to the establishment as well as consolidation of democratic institutions.

Speaking of the democratic reality in Latin America, Mexican intellectual Carlos Fuentes recently stated in a Spanish newspaper that “if democratic institutions do not soon produce economic and social results that will benefit the masses, overcome the rift between the rich and the poor, and narrow the gaps between modernity and tradition, we risk a return to our oldest and most deeply-rooted tradition: authoritarianism.”<sup>1</sup> The new Administration in Mexico is aware of this plea. Therefore, the key challenge for Mexican democracy will be the efficient implementation of a strategy for “social development with justice” in a sensitive period of economic growth – strongly influenced by the slowdown of the US economy – and adjustments

to the country’s national budget. The current dilemma for Mexican decision makers is not to “get by with less,” but to “use less more efficiently.”

President Fox’s Administration has set for itself the goal of shaping a modern democracy through the use of new rules for political practice and the creation of a quality government that will allow Mexico to make a definitive leap forward as a nation, in both quantitative and qualitative terms.<sup>2</sup> The new way of doing public policy management in Mexico will require an unlimited amount of creativity, as well as innovative tools that will slim down the list of pending and unresolved issues while benefiting larger sectors of the population.

In light of the latter, the Fox Administration privileges and promotes the use of technology as a strategic resource for satisfying some of the basic needs of Mexican society. Proof of this commitment is the launching of the “E-Mexico” system in January 2001, which some have characterized as being President Fox’s most ambitious project.

The principal aim of the “E-Mexico” system is the construction of a modern and more just country that enjoys full access to information and to the myriad of opportunities and advantages that implies. The first step toward reaching this goal is ensuring that the 2,427 Mexican municipalities can communicate with each other, as well as with the rest of the world. In order to make this scenario a reality, the existing infrastructure is being interconnected, and state-of-the-art telecommunication and network technology is being incorporated into the system in order to create a mega-network that will reach almost every corner of Mexico.

Access to the mega-network will be available at the now called Community Telecentres, formerly, the old telegraph offices.<sup>3</sup> The centres will be sup-

*Continued on page 21*

1 Fuentes, Carlos. “Democracia latinoamericana: anhelo, realidad y amenaza in *El País*, May 15, 2001.

2 For further details, see the Introduction to Mexico’s *Plan Nacional de Desarrollo 2000-2006* presented on May 29, 2001, by President Vicente Fox Quesada.

3 Most rural and remote areas in Mexico have a telegraph office, for which reason they were selected as key locations for the construction of the mega-network. As of today 1,800 telegraph offices exist throughout the 31 Mexican states and the Federal District.

*Continued from page 20*

plied with computers to offer basic telecommunication and financial services, as well as access to information networks. At each Telecentre, communities will have access to at least one two-mega bits route that will provide access to four gateways: one for government, one for health, one for education, and one for trade. The project to create the Community Telecentres is taking place in two phases. From January to March 2001, 60 were set up in rural communities and rural-urban areas. From April 2001 to December 2003, 2,000 Telecentres are scheduled to enter into operation. The first Community Telecentre was inaugurated by President Fox himself in El Salto, municipality of Pueblo Nuevo, in the northern state of Durango. Although it may be too much to expect that every Mexican will possess a computer right away, the "E-Mexico" system will ensure that eventually it will occur. In the medium term, every family will have access to a computer connected to the Internet through the 2,000 Community Telecentres that will be set up in the country.

"E-Mexico" makes evident *inter alia* two characteristics of what could be qualified as a modern-day democracy:

1) A new role for the government, which acts first as the entity responsible for determining and defining the priorities on the national agenda, and subsequently, as the body accountable for resolving these priorities through the establishment of an intelligent and productive relationship with the private sector and civil society. Within the framework of "E-Mexico," the government is the coordinator of public policies, but is not the only player responsible for responding to the emerging needs. By acting according to this new scheme, the Mexican government is burying old

paternalistic practices and instead promoting a greater equilibrium among public, private initiative and civil society activity. Under this innovative pattern, the body in charge for making "E-Mexico" a reality is a Technical Committee comprising telecommunications network specialists, private companies with access to resources and the latest technology,<sup>4</sup> public officials from the three levels of government<sup>5</sup> and organized civil society.<sup>6</sup>

2) With the launching of "E-Mexico," the Fox Administration is implementing a new and unprecedented model of development, while maintaining a "local" focus; the priorities have been established "from the bottom up," that is, beginning with the municipalities. There are very few, if any, development plans in Mexico that have had a "local" focus.

For the new Mexican government, globalization boosted principally by the dramatic and relentless development of technology has presented a unique opportunity to make headway in the area of human development for the Mexican people. As of December 1, 2000, Information Communication Technologies have not only been included in governmental strategy for the first time, but have also been catalogued and employed as an instrument of progress. Along with the spirit of this year's edition of United Nation Development Program's *Human Development Report* Program,<sup>7</sup> which was recently made public from Mexico City by President Vicente Fox, the new Mexico places technology at the very centre of human progress.

**Ana Paola Barbosa**  
 Embassy of Mexico

4 E-trade project. Such as *Axtel, Lastra, Unefon, Pegaso, Iusacell, Telcel, Avantel, Telmex*, among others.

5 From the *National Centre for Municipal Development* and from the *National System of Municipal Information* of the Secretariat of the Interior.

6 Such as the group *Convergencia Digital*, which is concerned with the generation and use of content that highlights Mexico's cultural richness.

7 *Human Development Report 2001* of the United Nations Development Program (UNDP): "Making New Technologies Work for Human Development."



*Eyewitness*

## Policies for the New Economy

The extraordinary performance of the US economy from the beginning of the 1990s to early 2001 fueled much debate, even hype, about the New Economy. The sharp decline in technology stocks and the current weakness of the US economy only make the debate about the New Economy that much more interesting. Was the US's economic performance over the past decade an aberration, or is there something fundamentally new and of longer-term duration at work? What does it mean for public policy? To explore these and other questions, the Policy Research Initiative (PRI), in partnership with Finance Canada, Industry Canada and Human Resources Development Canada, hosted *Policies for the New Economy*, a symposium held at Château Vaudreuil on June 26-27, 2001.

The symposium opened with discussions about the different productivity growth rates of the United States, Europe and Canada and whether these rates indicate the existence of a New Economy. For many economists, the litmus test for the existence of the New Economy is whether there has been a sustained increase in productivity growth.

Symposium participants were told in the opening session that longer-term US productivity growth has indeed increased

because of investments in information and communication technologies (ICTs), and will continue to increase because the accelerated pace of investments in semiconductors is likely to continue for the medium term. Other macro-economists argued that less productivity evidence for the New Economy exists for Europe and Canada, though there is some hope that Canada might follow the United States with a lag.

The growing recognition of the crucial role that innovation plays in economic and productivity growth served as the basis for the second session. The session looked at how innovation has accelerated and changed in OECD countries, with some more focused attention on the role that clusters and other agglomeration dynamics play in knowledge-based economic activity.

Day two of the symposium explored a range of policy areas for which the New Economy would likely have important implications. The morning sessions looked at policies related to education, training, organizational design and social policy. The implications of the New Economy for tax policy and for a range of legal issues occupied the participants for the rest of the symposium's proceedings.

Rapporteur Richard Lipsey summarized the discussions by

acknowledging that the New Economy means different things to different people. Without denying the importance of the discussion on productivity, he was nonetheless critical of those macro-economists who insist total factor productivity is the *sine qua non* of the New Economy. For Lipsey, it is patently obvious that ICTs are general purpose technologies that are leading to radical changes throughout the economy and society, from reorganizing production and management, to making English the lingua franca of the world; from altering the basis of democracy, to making major new areas of discovery feasible, such as genomics and nanotechnology. Whether these changes are reflected in an increase in total factor productivity or not, for Lipsey they are fairly compelling evidence that a New Economy has emerged and that a range of policies needs to be revisited in that light.

*AL & GS*

A number of the presentations from the symposium, along with several articles on related issues, will be published early next year in a special issue of *ISUMA: Canadian Journal of Policy Research*, with guest editors Pierre Fortin and Richard Lipsey. Advance copies of some of the papers can be obtained by getting in touch with Nicole Vallières of the PRI via e-mail at [n.vallieres@prs-srp.gc.ca](mailto:n.vallieres@prs-srp.gc.ca) or by phone at (613) 992-9356.

## Across Canada



### Canadian Foundation for the Americas (FOCAL)

North American cooperation is gaining momentum on a trilateral front and now, more than ever, the focus is on Mexico. One non-governmental organization that has embraced the opportunity to increase our understanding of Mexico is the Canadian Foundation for the Americas, FOCAL, whose mission is to promote hemispheric cooperation and contribute to improving policy making in Canada for the Americas. The Ottawa-based organization's work is supported by the department of Foreign Affairs and International Trade, the Canadian International Development Agency and the Canadian Centre for Foreign Policy Development, among others.

Working with experts from all sectors in Canada and throughout the hemisphere, FOCAL plays an important role in forging relationships with Mexican governments, research institutes and academics. The Foundation monitors Mexican developments and analyzes emerging social, economic and political issues.

FOCAL has a particular interest in inter-American relations, governance, human security, social policies and economic integration. The

Foundation has an ability to bridge knowledge gaps in these areas. This bridging stems from what FOCAL considers to be the most important component of the growing relationship with Mexico – creating dialogue. The outcome of this dialogue is the development of policy-centered research papers and recommendations to be shared with governments, a variety of interest groups, and the media. Recently, FOCAL published a report on the trilateral Canada-US-Mexico relationship.

FOCAL strengthens Canada's policy research capacity by creating space for debate and dialogue. In all of its initiatives, FOCAL stands firm in its commitment to Canadian interests in making paramount the question, why is hemispheric cooperation important to Canada? The result is research providing concrete recommendations for the Canadian policy community.

To learn more about FOCAL, please consult their web site at <http://www.focal.ca>.

KK

### Now Available *Integration Pressures: Lessons from around the World*

This special issue of *Horizons* summarizes the proceedings of the symposium *Integration Pressures: Lessons from around the World*, which was held in Cambridge on March 29-30, 2001. This event brought together senior officials with practitioners

and academics to examine and discuss policy responses to international integration in different parts of the world. It was co-sponsored by the Policy Research Initiative the OECD Local Economic and Employment Development Programme,

and the Weatherhead Center for International Affairs at Harvard University. An electronic copy of this publication is available at: <http://policyresearch.gc.ca/key-docs/horizons/horizons-e.htm>.





## The Path to Democratic Rule and Federalism in Mexico

Despite its constitutional structure formally established as a federal form of government since 1917, Mexico was throughout the 20<sup>th</sup> century what can be regarded as one of the most centralized political and administrative systems of the world. This feature has been explained – and in more than one way justified – with several arguments and visions that emphasized the need to centralize power and resources in the hands of the federal government – namely in the Presidency – in order to secure a single rule that could promote the creation of a nation-wide market, the supply of social services for the population, and the construction and maintenance of the basic infrastructure that the development of the country continually demanded. Beyond the rationality or common sense that these arguments can offer, the truth is that all of them served adequately to create, and afterwards reproduce, a highly authoritarian regime and anti-democratic political institutions in Mexico for more than 70 years. This is not to say that a decentralized mode of governance could not be used for the same purposes, but to insist on the close relationship that existed between the authoritarian rule and the centralized governmental structure.

After the federal elections of July 2000, the country has initiated a period in which the previous balance of power is being profoundly modified. This is particularly the case in the territorial dimension, where the formerly silent and dependent-on-federal-aid state and local governments have transformed themselves and now play an active role in setting the political agenda at any level. This transformation is, at the same time, a cause and a by-product of the democratization process. These governments played a key role in the upsurge and final victory of a new way to carry out public affairs.

Several factors must be considered to understand the situation in Mexico. First, the emergence of a long-scale crisis, which occurred in 1982, served to erode the government's social support. Some of

the previously supporting entrepreneurial and middle class groups, especially those located in the north of the country, decided to defy the *status quo* and began to deploy political and electoral activities and, as a result, the opposition parties were able to increase substantially their resources and their chances to reach electoral positions in both the legislative and executive branches of government.

Second, in the mid 1980s, once the chances for reaching electoral positions were open for other parties, new voices inside and outside the State's corporatist apparatus started to push for a response from the political system in order to cope with what was named an "unavoidable democratization bias". According to this expression, the political system was in such a situation that the social pressure for fully democratic rule could reach uncontrollable dimensions. To avoid the risks involved, the system would have to promote change from within and, by doing it, the official party would be able to maintain its power. In the opposite extreme, the groups that had opened the path for winning local elections were suspicious of the actual intentions that the ruling party could hide in the proposal of a "democratization from within." These groups were convinced of the benefits that the growing differentiation of local policies was producing in terms of new sources of legitimacy for governments (*output legitimacy*), and in terms of the "new" solutions produced by the democratically elected authorities to "old" social needs and demands.<sup>1</sup>

Third, there was also a clear territorial divide between these two visions. On the one hand, the national groups – those located at the federal level – considered that the federal form of government offered significant advantages for the implementation of a new era of democratic rule, and for the elimination of the regional disparities that motivated much

*Continued on page 25*

1 Victoria E. Rodriguez and Peter M. Ward (eds.) *Opposition government in Mexico*, Albuquerque, N.M., University of New Mexico, 1995.





*Continued from page 24*

of the opposition's activism. The issues stressed by this perspective insisted on the need to ensure a balance among the different regions in the country. Instead of promoting regional development on a case-by-case basis, the solution would come through the use of a strategy dominated by "regional solidarity" criteria. This strategy demanded that a "centre" controls the exchanges and promotes territorial equalization, through the use of nation-wide policies and programmes. The federal government is, for obvious reasons, the best equipped to play the role of the "centre."<sup>2</sup> On the other hand, regional and opposition groups rejected the idea of maintaining a centralized structure. They assumed that the use of a centralized strategy of development was to blame for many of the problems facing the country and its regions. Local initiative had to be resurrected as the central tool for running government. This would involve the explicit avoidance of a central strategy.<sup>3</sup>

Fourth, the consolidation of the electoral processes as the central political arena meant that the two visions were sanctioned by the population in different parts of the country, with varying results and one dominating trend. The results showed how the parties and their visions have specific regional bases of support. The trend suggested that parties could improve their chances of electoral success by paying attention to and serving local communities.

The final result of the combination of these factors is a new territorial distribution of power in which no single party is able to control the political system as a whole. In terms of the functioning of the federal system, the changes have served to reduce the distance between what the Constitution pre-

scribes, especially the distribution of responsibilities among levels of government, and the actual practice of intergovernmental fiscal and policy relations. The new federal agenda is no longer dominated by the priorities and objectives of the federal government. A new configuration is under construction in which the ideological and party interests compete with the particular economic, social and political needs of every region.

The role that the state level governments are performing is, by far, the most significant feature of this new configuration. As I said before, this is an outcome of the democratization process, even though not the only one. It has to be remembered that the political strategy that took Vicente Fox and the *Partido Acción Nacional* to win the Presidency in July 2000 started several years before, when the first opposition governments appeared at the local level in the states of Baja California and Chihuahua. The second step was, precisely, the state level governments of Baja California, Chihuahua, Jalisco and Guanajuato.<sup>4</sup> The demands of these state governments to change federal policies and the implementation of programmes devised to obtain social support in the states transformed the federal system. Opposition governors were able to defy the presidential authority based upon the results of their own administrations. By doing so, they were able to offer a new vision of government, a vision that in many ways embraced the idea of "change" that became so powerful and attractive for the population in the last general election.

**José Sosa**  
 El Colegio de México

2 This position was clearly offered by the "Programa para un Nuevo Federalismo" (Programme for a New Federalism) that the Secretaría de Gobernación (Interior Ministry) published in 1997.

3 The opposition governors' opinions were discussed and formalized during a Conference held in the Summer of 1995 sponsored by the Guanajuato's state government. See *Foro*

*Nacional Hacia un Auténtico Federalismo: Guadalajara: 1995 Compromisos para un auténtico federalismo*, Guanajuato: Gobierno del Estado de Guanajuato, 1995.

4 Victor Alejandro Espinoza Valle (coord.), *Alternancia y transición política: cómo gobierna la oposición en México?*, México: El Colegio de la Frontera Norte-Plaza y Valdés, 2000.



## Looking Outward

### Centro de Investigaciones Sobre América del Norte (CISAN)

Universidad Nacional Autónoma de México's *Centro de Investigaciones Sobre América del Norte* (CISAN) is an interdisciplinary research centre dedicated to the study of the North American region. CISAN first originated as a research centre for US studies. However, the changing North American context pointed to the need to broaden the centre's research capacity to include Canada. CISAN is home to many top Mexican Canadianists who are extremely active in developing Canadian studies at CISAN and other Mexican institutions.

CISAN's goals are to produce research and knowledge that lead to a better understanding of the complexities that define North America, and to come to a more comprehensive understanding of Canada and the United States and their relationship with Mexico.

Aside from its knowledge generating activities, CISAN also promotes dialogue and exchange of experiences by providing a policy space where North American actors can discuss relevant issues and make informed decisions.

The research centre's work is extremely relevant and valuable to Canadian policy makers for several reasons. Its publications, conferences, seminars and lecture series not only contribute to knowledge of North American issues, but also provide a forum from which Canadian policy makers can present the Canadian perspective and influence the Mexican position on a number of issues. CISAN is also important because it educates and informs many Mexican students who eventually have a career in government and the private sector in Canada. Finally, CISAN's work is

valuable because it provides Canadians with a Mexican view of Canada and North America, often serving as a "reality check" for Canadian policy makers.

CISAN publishes both a newsletter and a journal which may also be of interest to Canadian policy makers. *América del Norte HOY* is a monthly newsletter that informs readers of relevant events and news in North America. *Voices of Mexico* is a quarterly journal published in English and mainly geared to a foreign audience. It deals with Mexican issues as well as themes relating to North American politics, economics and culture.

For more information on CISAN, please consult its web site at <http://www.cisan.unam.mx>. *Voices of Mexico* is available on the internet at <http://serpiente.dgsca.unam.mx/voices/2001/>.

#### Soon Available *NORTH AMERICAN LINKAGES: Opportunities and Challenges for Canada*

Industry Canada's Conference "Opportunities and Challenges for Canada" took place in Calgary on June 20-22. The conference sessions explored North American linkages issues including the motivation, desirability and impacts of further integration, and different views regarding multi-national and regional trade agreements. A special conference edition of *Horizons* summarizing the discussions will be accessible on the PRI web site in the near future.

#### The Mexico-US border in Transformation

"There are now four or five cities the size of Cleveland, Ohio, [...] and 25 years from now as much as 40% of the entire Mexican population may be living on the border. The region is Mexico's economic engine, a huge commercial classroom where the unskilled workers who were making gauze eye patches in 1980 now make cash machines and modems and the most popular Sony color TV sold in the US."

For more information, see Nancy Gibbs, "A Whole New World," *Time* (Canadian edition), July 11, 2001, p. 20-29.

Bookmark



## L'américanité des Amériques

The discourse on the Americas is raising a number of questions on how continental integration might eventually take shape, in addition to providing food for thought on trans-cultural issues, multiple identities and the concept of Americanness.

In association with the Interdisciplinary Research Group on the Americas, researchers from Mexico, the United States and Quebec chose Americanness as their analytical framework, around which they developed and articulated a comparative and continental approach.

Without going against the economic current, this work seeks to shine a light on other aspects of continental integration. Thus, Americanness takes on a larger shared-identity dimension and its multidisciplinary, transnational approach might serve as an example in carrying out studies on the question of trans-cultural phenomena and multiple identities.

For more information, see: *L'américanité des Amériques*, under the direction of Donald Cuccioletta, Saint Nicolas, Presses de l'Université Laval, 2001.

Newsletter Note

## Mexico Inc.: Under New Management - Implications for Canadian firms

The economic and political stability which Mexico is experiencing and the policies, plans and challenges of the new administration result in a number of implications for Canadian firms doing business or planning to do business in the market.

- Tougher competition for the Mexican market demands that Canadian firms establish a strong market presence and access essential market intelligence. Partnerships with Mexican firms are therefore a key strategy, but partners will need to be evaluated more closely than ever before to ensure that they have the requisite technical, financial and marketing capability to match and beat competition.

Canadian firms do have some competitive advantages on their side. Firstly, Mexico sees Canada as a valuable partner, and sometimes model, for the significant political, social and economic changes it is intent on undertaking. Canadian companies can build on this synergy. Secondly, Canada's NAFTA relationship with Mexico generally remains privileged in the face of Mexico's other free trade agreements. In particular, Canada retains the lowest overall tariff levels with Mexico and has a good foothold in many sectors.

- Opportunities will emerge for Canadian companies to play a bigger role in such sectors as electric power, natural gas, and telecommunications as the reform process moves forward. Significant opportunities will continue to develop with the large, industrial conglomerates (Grupos) who have established their international creditworthiness. In this regard, the Export Development Corporation is expanding its own relationships with key industrial Monterrey-based Grupos in order to facilitate orders from Canadian suppliers.

Also of note is the recently announced Puebla to Panama project, designed to create infrastructure links in the southern regional corridor stretching from the Central Mexican state of Puebla to the border with Guatemala. This project, presents opportunities for Canadian firms in a variety of areas including highways, ports, airports, electronics and telecommunications.

This article by Marvin Hough was originally published in June 2001 by *Export Wise*, the magazine of the Export Development Corporation, available at: [http://www.edc-see.ca/docs/exportwise/summer01/p22\\_e.htm](http://www.edc-see.ca/docs/exportwise/summer01/p22_e.htm).



## Research Brief

### Canada-Mexico Cooperation in Natural Resources

"Canada in the 21st century must become and remain the world's "smartest" natural resources steward, developer, user and exporter – the most high-tech, the most environmentally friendly, the most socially responsible, the most productive and competitive – leading the world as a living model of sustainable development."

With the vision of Minister Ralph Goodale, Natural Resources Canada entered into a more comprehensive relationship with Mexico through the signing in April 2001 of a *Letter of Intent for Cooperation in Natural Resources* (LOI). The LOI was

signed with NRCan's three counterpart ministries in Mexico - Energy, Economy (for its mining responsibilities), and Environment and Natural Resources.

The LOI follows a number of years of cooperation in natural resources including forest management, mapping and energy. It provides a framework for a renewed collaborative partnership that will focus on sustainable development and the use of natural resources.

By signing this LOI, Minister Goodale has signalled Canada's recognition of Mexico as an important partner for Canada

across a range of natural resource issues. Oil and gas are important resources for the Mexican economy, and as such represent a large and growing market for Canadian oil and gas equipment and technologies. These world class products can play a role in improving energy efficiencies in Mexico and helping Mexico adopt sustainable policies and practices.

Working collaboratively with Mexico on issues associated with energy, forestry and mining should bring benefits to Canada and Mexico as both countries seek to make the most of their natural resources.

### Canada-Mexico Exchange on Social and Human Development

Social cohesion will be the first focus of activity under a new agreement between Human Resources Development Canada (HRDC) and Mexico to exchange information and expertise on human and social development.

HRDC Minister Jane Stewart signed a Letter of Intent with Foreign Secretary Jorge Castañeda during the April state visit by Mexican President Vicente Fox. The agreement will facilitate the exchange of information and views among experts, to the benefit of both countries.

Mexico has just released its six-year plan, which for the first time seeks to establish coherent cross-government objectives. Primary among these objectives will be reinforcing social cohesion and attaining a basic standard of living for all Mexicans.

Mexico would like to begin with a research and policy focus on social cohesion with respect to its mainstream population, moving to a focus on vulnerable groups at a later date. The development and use of indicators of social cohesion will be part of the discussions.

The Mexican exchange team will be directed by Presidential Coordinator for Social Development José Sarukhán. Twenty-three government departments report to Dr. Sarukhán under the new administration's cross-cutting structure. The exchanges with HRDC are likely to focus on a group of five to seven departments, including a new ministry responsible for education in life and work.

HRDC is interested in working with other federal departments and agencies in its work with Mexico. For more information, please call Tracey Fyfe, International Relations, HRDC, (819) 994-8637.

## Mexico in Transition – NAFTA and the Political and Economic Challenges of the Fox Administration in Mexico

Dr. Alejandro Alvarez Bejar, Professor of Economics from the Universidad Autónoma de México, at a brown bag organized by Carleton University's Centre on North American Politics and Society, elaborated on the significant political and economic challenges currently facing the Fox Administration as well as some of the impacts of the North American Free Trade Agreement (NAFTA). According to Alvarez, addressing these challenges will require the Fox administration to develop dynamic public policies, policies that will address political and economic challenges simultaneously.

### *POLITICAL CHALLENGES*

According to Alvarez, Fox's attempt to open up the government and implement institutional change, especially increasing the legitimacy of the Senate, remains a challenge. Achieving this objective will require the support not only of the Mexican people and businesses but of state and local governments. This support will be difficult for Fox to obtain as many of the state and regional governments remain under the old party's control.

Fox's public policy approach to many of the challenges is a combination of budget cuts and increased taxes: a combination that Alvarez thinks is the worst combination in a decreasing economy. In particular, Fox's 15% proposed tax reform will have only minor effects according to Alvarez. In addition, public opinion polls suggest Mexicans are against the proposed sales tax and do not see tax reform as an important issue that needs to be addressed.

### *ECONOMIC CHALLENGES*

With most of Mexico's imports/exports being with the United States, any change in the American econ-

omy has a substantial impact on Mexico. When the United States' economy is booming like it did in the 1990's, Mexico reaped the benefits. Similarly, the Mexican economy is suffering as a result of the current slowdown in the United States economy. With respect to Mexican-Canadian trade, economic relationships are significantly smaller but increasing as a result of NAFTA.

The issue of a common North American currency is not currently receiving national attention because there has not been a big fluctuation in the exchange rate. However, Alvarez hinted the Mexican government would be open to discussing the issue if and when a drastic change in the exchange rate occurs. Alvarez expressed a preference for a flexible rate stating that Mexico will lose a significant amount of sovereignty if a common currency is adopted because he does not foresee the American Federal Reserve ever being led by a Mexican or a Canadian.

### *PROPOSED PATH AHEAD*

In conclusion, Alvarez indicated that Mexicans are still waiting for the good news regarding President Fox's structural reforms. Fox has yet to convince his citizens that his proposed reforms of deregulating selected industries and the labour market, reforming the tax, health and education systems, and privatizing the energy sector will result in the correct balance of social and economic policy. Therefore Fox is continuing to strive for the correct mixture of policies, one that simultaneously addresses both the interests of the social movement and those of international institutions.

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## Did You Know?



Bilateral trade between Canada and Mexico has grown by double digits every year since 1996, with a striking 30% increase last year to reach \$USD 12 billion. Mexico is now Canada's fourth most important export market after the US, Japan, and the UK. 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 EU and Japan combined. Despite the slowdown in the US economy, which is affecting the economies of both its partners, Canada-Mexico trade continues to grow during 2001 (by 8% during the first quarter).

Canadian investment in Mexico has increased six-fold since 1993 and now stands at well over \$3 billion according to Statistics Canada. In fact, the level of investment controlled by Canadian firms is likely considerably higher given that a number of significant Canadian-controlled investments in Mexico are undertaken through subsidiaries based in third countries particularly the US and the UK. This level of investment, while impressive, has not been as dynamic as in Chile. Nonetheless, it does represent a significant 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 in consultation

with Canadian tour operators, the Embassy estimates that approximately 1 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 which is clearly to the benefit of Canadian farmers and Mexican workers.

Canadian and Mexican universities and colleges have built a network, that continues to expand, of some 350 active exchange and cooperation 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 US (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, there are an estimated 1,000 Canadians 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 US-Mexico border.

### Canadian Embassy to Mexico

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