

## The old heave-ho for Mexico?

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OTTAWA — By all accounts Prime Minister Stephen Harper gets on well with his Mexican counterpart, Felipe Calderon, even inviting the Mexican leader and his family to spend a few days with the Harpers at their Harrington Lake cottage last summer. However, one wonders if that spirit of bonhomie will prevail next week in New Orleans, when the leaders of Canada, the United States and Mexico sit down to talk about the future of the North American free-trade agreement.

That NAFTA is under threat is no secret. The two candidates vying for the Democratic presidential nomination in the U.S. have been playing political football with the three-way trade deal for well over a year, tapping into and exacerbating economic anxieties and protectionist sentiment south of the border.

Both Canada and Mexico feel threatened by this development. The U.S. is the most important trading partner for both. But it is how the two governments deal with the problem that could create discord between the Canadian and Mexican leaders.

Mr. Harper is being pressed by a number of high-profile groups and individuals in Canada to build a new bilateral relationship with the U.S., shunting Mexico off to the side. In effect, this would be a return to the pre-NAFTA days, when Canada already had a free trade deal with the U.S. that addressed most of its concerns.

No one has bluntly said: Let's ditch Mexico, although that was the gist of comments made by John Manley, the former Liberal foreign minister, in his opinion piece published in The Globe and Mail earlier this month. "(L)et's de-link the NAFTA partners from the trilateral agreement," Mr. Manley said. "Canada can enter into a bilateral agreement with Mexico quite readily. The U.S. and Canadian economies are much bigger, so let's get on with the work of making our economies strong and competitive in a renewed Canada-U.S. agreement."

Derek Burney, who helped negotiate that earlier bilateral deal before being named Canadian ambassador to Washington, said that to combat the U.S. protectionist mood, Canada has to move "beyond NAFTA." In his opinion piece for the CanWest chain, he set out a long list of improvements that governments in "both capitals" could make, covering trade, the environment and security.

And the C.D. Howe Institute recently issued a report, written by two former Canadian trade negotiators and now academics, Michael Hart and Bill Dymond, which pushed for deeper integration with the U.S. in a "modernized Canada-U.S. treaty." No mention of Mexico there.

It's not clear whether this bilateral thrust has been adopted at the political level, although it is telling that Mexico was not mentioned in the statement Trade Minister David Emerson issued after meeting with provincial and territorial ministers late last month to plot Canada's future trade agenda. Every reference to NAFTA in that statement was accompanied by a mention of Canada's links to the U.S.

The Mexicans have seen this all before, says Duncan Wood, a foreign policy specialist at the Instituto Tecnológico Autónomo de México in Mexico City. After the 2001 attacks on the U.S., Canada sought to exclude Mexico from talks on security with the U.S., causing a rift between the two countries.

Relations improved by 2005, with the signing of a bilateral partnership that was meant to stimulate connections at the private and public levels.

However, Mexico did not feel its concerns were adequately addressed in the Security and Prosperity Partnership signed that same year. The U.S. was emphasizing security. Canada was keen on prosperity. But immigration and development — the key Mexican concerns — never made it onto the agenda.

Mr. Wood says Canadians are famously good at predicting the mood in the U.S. and trying to get out in front of it. With Americans souring on free trade, Canada is working to guarantee its own special treatment, he says, adding "Keep the [Canada-U.S.] border open is priority one, two and three of Canadian policy."

Indeed, the border was the only issue senior government officials mentioned unprompted when they briefed the media Thursday about what Canada wants to see addressed at the New Orleans summit. The officials could not say whether the three leaders planned to reaffirm their support for NAFTA at the meeting, which seems decidedly strange given how much its benefits have been lauded in the past.

Canada never seemed too keen on the trilateral deal, joining more to ensure it remained in the loop than because the government at the time thought a trilateral deal was necessary. And though the bilateral relationship with Mexico has grown over the years, it remains insignificant compared with the Canada-US connection and there is no way of knowing whether it would have improved anyway in the absence of NAFTA. The same could be said of Canadian trade with the U.S.

Of course, the best way to ensure continued access to all markets, not just the U.S., is to get the now-stalled Doha round of multilateral trade talks moving again. But neither Canada nor the U.S. has shown much interest in this, preferring to put their efforts into bilateral deals. Further progress seems unlikely if the Democrats win the White House in November.

Which leaves Mr. Harper with a difficult choice: forge ahead with an unwieldy three-way deal, or jilt the Mexicans and seek a new deal with the U.S. The advice from business is clear. But taking it won't fit well with his plan to establish a stronger presence for Canada in the Americas. Instead of winning new friends, he will be losing old ones.

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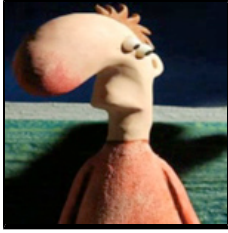
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