

High Expectations for Mexico: Responding to the Priorities of a New Government

EXECUTIVE SUMMARY

On December 1, 2000, Vicente Fox from the Party of National Action (PAN) became the first opposition president to take power in Mexico since 1929. Mexico enters the 21st century with a new government and great expectations for change. Objectives of the Mexican government include: the continuation of aggressive trade and investment strategies; a more pro-active foreign policy; domestic policies to address the nation's social and governance challenges; and a long-term vision for a more integrated North America. If successful, these reforms will accelerate Mexico's modernization process and could provide Mexico with a more central role in the hemisphere. With hurdles to overcome and expectations high, implementing such ambitious reforms will be difficult. Yet, a broad consensus both within and outside of Mexico that the country needs further economic and political reforms will continue to be an asset for the new government, along with its close relations with the rest of North America.

While a closer relationship is predicted between Mexico and the United States, Canada should also nurture relations with Mexico by adjusting its long-term foreign policy toward the nation. The policy needs to respond to changes in Mexico and be flexible enough to anticipate further reforms in the country. It also needs to be consistent so as to develop a relationship that is not derailed by short-term difficulties. Specifically, the policy should support the key elements of President Fox's reform agenda. There are also a number of concrete, practical initiatives that Canada and Mexico could undertake together within the first year of the Fox administration that would be responsive to the priorities and challenges of the new Mexican government.

RÉSUMÉ

Le 1^{er} décembre 2000, Vicente Fox, du Parti de l'action nationale (PAN), est devenu le premier président de l'opposition à accéder au pouvoir au Mexique depuis 1929. Le Mexique entre dans le XXI^e siècle avec un nouveau gouvernement et de grands espoirs de changements. Le gouvernement mexicain propose notamment: la poursuite de stratégies dynamiques sur le plan des échanges et des investissements; une politique étrangère plus proactive; des politiques intérieures afin de relever les défis sociaux et de gouvernance du pays; et une vision à long terme d'une plus grande intégration de l'Amérique du Nord. Si elles sont menées à bien, ces réformes accéléreront le processus de modernisation du Mexique et pourraient lui permettre de jouer un rôle plus central au sein de l'hémisphère. La mise en œuvre de réformes si ambitieuses sera difficile compte tenu des obstacles à surmonter et des attentes élevées.

continued on page 2



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Toutefois, le vaste consensus qui se dégage tant à l'intérieur qu'à l'extérieur du Mexique sur les autres réformes économiques et politiques dont a besoin le pays, outre ses relations étroites avec le reste de l'Amérique du Nord, continuera de jouer en faveur du nouveau gouvernement.

Même si l'on prévoit un rapprochement des relations entre le Mexique et les États-Unis, le Canada aurait aussi avantage à entretenir des relations avec le Mexique en ajustant sa politique étrangère à long terme avec ce pays. Cette politique devra s'ajuster aux changements qui se produisent au Mexique, être suffisamment souple pour prévoir d'autres réformes éventuelles et faire preuve de constance afin que les problèmes à court terme ne fassent pas dérailler les rapports entre les deux pays. Plus précisément, cette politique devra appuyer les éléments clés du programme de réforme du président Fox. Le Canada et le Mexique pourraient aussi s'employer ensemble à diverses initiatives concrètes, pratiques et réceptives aux priorités et aux défis du nouveau gouvernement mexicain pendant la première année de l'administration Fox.

RESUMEN

El 1ro de diciembre de 2000, Vicente Fox, al frente del Partido de Acción Nacional (PAN), se convirtió en el primer opositor que consigue la presidencia de México desde 1929. México inicia así el siglo XXI con un nuevo gobierno y grandes expectativas de cambio. Entre los objetivos que tiene el nuevo gobierno se encuentran: seguir impulsando estrategias dinámicas en cuanto al comercio y las inversiones, asumir una política exterior más activa, ejercer una política interna que encare los retos sociales y de gobierno que enfrenta la nación, y adoptar una postura de largo plazo a favor de una mayor integración en Norte América. De resultar exitosas, estas reformas acelerarían el proceso modernizador de México, y podrían darle al país un mayor protagonismo en el hemisferio. La puesta en práctica de estas ambiciosas medidas será una tarea difícil debido a los obstáculos que habrá que vencer y a las altas expectativas creadas. No obstante, el gobierno tiene a su favor por un lado el consenso que existe tanto dentro como fuera del país acerca de la necesidad de realizar mayores ajustes económicos y políticos, y por el otro los estrechos vínculos que mantiene con el resto de Norteamérica.

Si bien se vaticina un mayor acercamiento entre México y los Estados Unidos, Canadá también debiera fomentar sus relaciones con México mediante el ajuste de su política exterior a largo plazo hacia este país. La política canadiense deberá adecuarse a los cambios que se operan en México, ser flexible ante las transformaciones que se puedan avecinar, y ser lo suficientemente sólida como para no desviarse de su curso por inconvenientes transitorios. La política canadiense deberá apoyar particularmente los componentes esenciales de la agenda reformista del Presidente Fox. Además, hay un número de iniciativas prácticas y concretas que Canadá y México podrían emprender juntos en el transcurso del mismo primer año de la administración Fox encaminadas a apoyar las prioridades y retos del nuevo gobierno mexicano.

INTRODUCTION

Mexico underwent a profound transition in the last decade. Tremendous efforts were made by successive Mexican governments to integrate the country into the global economy by opening its domestic markets, encouraging foreign investment, and by going beyond national borders in search of new markets and technology. In addition, a slow, yet steady culmination of reforms to Mexico's political system dating back to the mid-1980s, and most pronounced under the previous government of Ernesto Zedillo, has put the nation on the threshold of what could become a fully consolidated democracy. Mexico now embodies a multi-party political system, free elections, and pluralism, but it still has to deal with the vestiges of power of the Party of the Institutional Revolution (PRI) and enormous socio-economic challenges.

The historic July 2000 election of Vicente Fox of the Party of National Action (PAN) alternated political power at the national level following 71 years of single-party rule. The Fox government took office on December 1, 2000 armed with bold and ambitious plans for its country. The continuation of aggressive

trade and investment strategies; a more pro-active foreign policy; domestic policies to address the nation's social and governance challenges; and a long-term vision for a more integrated North America, are but some of the anticipated reforms that could make Mexico a key economic and political player in the hemisphere. Following a brief look at the face of the new Mexican government, this paper will discuss some of the principal challenges confronting it, namely: Mexico's foreign policy, the nation's domestic situation, and Mexico's role in North America, particularly its relations with Canada. The paper will conclude with a short summary of long-term policies and practical short-term initiatives that Canada could formulate to enhance collaboration with Mexico.

MEXICO'S NEW GOVERNMENT: GEARED FOR CHANGE

Fox's Cabinet

The Fox Cabinet was announced in three instalments prior to the December inauguration. By making the announcements in a staggered fashion, the President was able to communicate effectively the thematic objectives of his government i.e. ***economic growth with quality, social development with justice, and order and respect.*** The broad-based and (for the most part non-partisan) Cabinet consists of a number of businessmen, brought in to overhaul creaking bureaucracies and state-dominated businesses, alongside respected social policy experts, academics, and some members of the opposition parties. The selected individuals include: Finance Minister Francisco Gil Díaz, a former Deputy Minister under the Party of the Institutional Revolution (PRI) with a reputation for no-nonsense fiscal austerity and a talent for collecting taxes; Interior Minister Santiago Creel, a well known PAN member who was largely responsible for the 1996 electoral reform which fundamentally changed the basis of the Mexican political system; and Foreign Minister Jorge Castañeda, a left-wing intellectual and academic. All Ministers are said to understand and represent President Fox's broader vision of comprehensive and far-reaching change for Mexico.

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New Posts

Fox's Cabinet consists of a number of new Ministries and offices. Former World Bank economist Luis Ernesto Derbez was named head of the Ministry of Economic Development, a new offshoot of the Commerce Ministry. Derbez will focus on reforms to help Mexican companies benefit from the nation's many free trade accords. He will also try to make export companies more competitive and design ways to fund small and medium-sized businesses. Alejandro Gertz Manero was appointed head of the new Ministry of Public Security and Justice. Four new offices were created within the Office of the President devoted to: Indigenous Affairs (headed by Xóchitl Gálvez Ruiz);

Social Promotion and Integration of Disabled People (headed by Víctor Hugo Flores Higuera); the National Council for Continuing Education (headed by Rafael Rangel Sostmann); and Migrant Affairs (headed by Juan Antonio Hernández). The placement of these positions within the Presidential offices exemplifies Fox's commitment to constituencies deemed neglected by administrations of the long-ruling PRI. In addition, Luis Héctor Alvarez was named

Chiapas Peace Negotiator, and Mariclaire Acosta Urquidi, a veteran human rights activist, was appointed to a newly created post of Special Ambassador for Human Rights and Democracy.

A NEW FOREIGN POLICY FOR MEXICO?

Trade and Investment: Maintaining the Status Quo

Mexico's economic development strategy has for some time now emphasized exports and investment from abroad. The country's aggressive and sustained strategy of signing bilateral free trade agreements (FTAs) with other countries is a tendency that is expected to continue under the Fox government. Though the relative benefits and consequences of the FTAs are not yet clear, it is hoped that the strategy will allow Mexico to move quickly and reap the benefits of trade liberalization,

without the hindrance of uncertain commitment to free trade in the United States (US), or the exceedingly slow pace of multilateral negotiations involving a large number of actors. Seventeen bilateral FTAs with 32 countries have been negotiated by Mexico since the implementation of NAFTA in 1994. Many Latin American nations now have FTAs with Mexico (Argentina, Brazil, Paraguay, Peru, Ecuador, and Panama are the notable exceptions), and FTAs were completed with the European Union (EU), Israel, and the European Free Trade Agreement (Norway, Iceland, Liechtenstein, and Switzerland) in 2000. Mexico is also set to begin negotiations with the MERCOSUR members, the remaining Central American countries, as well as Singapore and Japan.

Modernization of the Mexican Economy

The Fox government will continue to focus on the modernization of the Mexican economy. It intends to provide a more explicit economic focus to its foreign policy, as well as an increased role of the Mexican Foreign Ministry in this area. In the mid-term the Mexican government will continue an aggressive bilateral trade and investment strategy with other countries in an attempt to reduce overwhelming dependence on the US market. As President-Elect, Fox travelled to South and Central America, as well as Europe, selling Mexico as the gateway to North America. The Fox government is also actively promoting the long-term objective of converting NAFTA into a future North American common market, thereby anchoring Mexico even more firmly to the US economy.

Increased bilateral relations with Latin America and Europe, and a more integrated North America are possible outcomes of further economic and political reforms in Mexico. Increased economic interest in Mexico from the rest of Latin America could secure a leadership role for Mexico in the region, solidifying its role as one of Latin America's leading industrial and commercial centres, together with Brazil. Outside the hemisphere, the EU does not want to run the risk of being marginalized from North or South America, and thus sees the growing

need for increased economic and political ties with Mexico as well as the MERCOSUR countries. Finally, economic integration between Mexico, the US and Canada could accelerate, particularly following the inauguration of "Mexico Savvy" George W. Bush as the President of the United States.

The Free Trade Area of the Americas (FTAA): Where Will Mexico Stand?

If Mexico continues to enter into bilateral free trade agreements with other Latin American countries, it may create its own hemispheric free trade area almost by default. Being able to sell itself as a platform for countries seeking access to the North American market, Mexico is already in a very enviable position within the hemisphere. Many hemispheric leaders hope that Mexico will use its relations with the other Latin American countries to

revive the negotiations for a Free Trade Area of the Americas (FTAA) in time for the Buenos Aires Trade Ministers Meeting in April 2001. However, Mexico's stance on a hemispheric free trade area is still far from clear. Mexico is naturally concerned about the impact of the proposed FTAA on its own trade and investment potential. Since 1994, the country has received more than US\$70 billion in foreign direct investment, and the US accounts for about 60% of that

figure. Giving preferences to other countries of the hemisphere could undercut Mexico's trade and investment preferences with the US and Canada. President Fox has publicly declared his support for a hemispheric free trade agreement, but details on Mexico's actual position in the FTAA negotiations are still scarce.

A More Assertive Foreign Policy?

Outside the economic realm Mexico is en-route to becoming more assertive in its foreign policy. President Fox and his Foreign Minister Jorge Castañeda have signalled that the government will play a more prominent role in international relations, and forge closer political ties with North America, Central and South America, and Europe. Fox's victory in the most legitimate election in Mexican history lends him the necessary credibility to be able to defend and promote democracy in

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the hemisphere. Indeed, should Mexico become an active partner with other members of the hemisphere in the promotion of democratic values, it could inject a timely impulse into the revitalization of a region-wide commitment to democracy. In the short-term to mid-term, Mexico is likely to concentrate on the following areas:

- *Policy Toward Colombia:* An active policy proposal of the Fox administration is to support the peace process in Colombia. While visiting the MERCOSUR countries in August 2000, Vicente Fox and Brazilian President Fernando Henrique Cardoso agreed on the need to mobilize other Latin American governments to promote peace in Colombia by checking US military involvement and strengthening civil society support for peace. Furthermore, Mexico is attempting to re-vitalize the G-3 (a grouping with Colombia and Venezuela) to address the emerging tension between these two countries and establish a common position on the Colombia peace process.
- *Policy Toward Peru:* Mexico could become a role model for Peru as that nation continues to rebuild its ravaged democracy. Mexico's independent *Instituto Federal Electoral* (IFE) is held in the highest regard throughout the hemisphere. With political will and adequate financial support, Peru could benefit from applying the lessons of IFE's experiences in preparation for the presidential election to be held on April 8, 2001.
- *Policy Toward Cuba:* Like Canada, Mexico has maintained uninterrupted diplomatic relations with Cuba. Any political change or crisis in Cuba would directly affect Mexico in terms of migration flows. While in the past Mexico generally supported the Castro regime unconditionally, the new government will pursue a two-track policy with Cuba. It will seek to intensify trade and economic ties with the island, while at the same time speaking out against human rights abuses and lack of fundamental freedoms there.
- *The Organization of American States (OAS)/ Summit of the Americas:* Given the country's apparent preference for bilateral diplomacy, it is still not clear if Mexico will take on a long-term pro-active role in the OAS and the Summit of the

Americas process. Vicente Fox and his Cabinet are still ambiguous about long-term objectives within the OAS, and even more ambiguous about Mexico's participation in the hemispheric trade integration process. In the short term, migration issues, labour mobility, and continuing to promote and advance the OAS Multilateral Evaluation Mechanism (MEM) on drugs will be key objectives for Mexico. The Fox government will also need to quickly clarify its position on hemispheric trade integration and on the proposed action items for the April Summit of the Americas. On a positive note, Fox's democratic credentials alone will make him a leader by example at the Quebec City Summit.

Overall, the Mexican government could either selectively reinterpret the non-interventionist language of its Constitution or change the Constitution and cast the language off entirely. A clear indication that the latter solution is likely came in President Fox's recent proposal to update the 84-year-old Constitution to include, among other changes, a redefinition of Mexico's participation in international affairs. Even a minimal shift in Mexico's handling of foreign relations would be significant. Article 89 of the Mexican Constitution, referred to as the *Estrada Doctrine*, enshrines self-determination, non-intervention, and respect for sovereignty as the three pillars of Mexican foreign policy. It stipulates that countries should extend diplomatic recognition to all *de facto* governments of other countries, without concerning themselves about whether such governments are legitimate or not. This stance is rooted in past experiences with outside intervention (namely the US acquisition of a third of Mexico by force in the Mexican-American war of 1846-1848). It also arose from the need of the long-ruling PRI to protect itself from external criticism. For seven decades, the PRI guarded the nation's sovereignty and declared its domestic politics — particularly its elections — off-limits to outside scrutiny.

In the recent past adherence to the principles of non-intervention caused Mexico to take a defensive, legalistic approach to multilateralism rather than a pro-active stance. Mexico traditionally assumed a low profile outside national borders, and was long regarded as a stumbling block for collective efforts at the United Nations (UN) and the OAS to support

such sensitive political issues as strengthening democracy, human rights, and the inclusion of civil society in policy making. Mexico was not a leader in the past two Summits of the Americas, and it was not a protagonist in the OAS. This was partly due to the nation's distrust of US involvement in these particular arenas. Mexico was at best sceptical about the creation of the OAS Unit for the Promotion of Democracy and the Committee for the Participation of Civil Society in OAS Activities (both Canadian-led initiatives). At the 21st OAS General Assembly held in Santiago in 1991, Mexico was decisive in blocking a draft resolution proposing the automatic expulsion from the OAS of any member state whose democratic system is overthrown by force, and it helped to thwart harsher action against Peru by more pro-active member states during the 30th OAS General Assembly held in Windsor in 2000.

ADDRESSING MEXICO'S DOMESTIC CHALLENGES

The Rough and Tumble of Democracy

Successful trade and investment strategies and a shift in Mexico's foreign policy, should in themselves help to secure a more prominent position for the nation in the hemisphere. However, if relations with the outside world are to be sustained, the Fox government must build the foundations needed to confront Mexico's domestic challenges. Vicente Fox's victory may have generated high expectations among the electorate, but voters did not provide the tools necessary to satisfy them since they elected a divided Congress. On the other hand, some would argue that the need for collaboration and compromise in Congress is the best thing that could have happened to Mexico.

The reforms discussed in this paper represent a struggle between what Mexico was in the 20th century and what President Fox wants it to become in the 21st. The new government faces the formidable challenge of adapting institutional

arrangements shaped during seven decades of single-party rule to a multi-party democratic government. As a one-party regime, political power in Mexico was vested heavily in the Presidency. Until the PRI lost control of Congress for the first time in 1997, it served as a virtual rubber stamp for the executive branch. The government must now adapt to the new reality of an active, plural Congress. Legislation cannot pass if supported solely by members of the PAN since the party holds a minority of seats in both houses. At this time there are no signs of coalitions coming together

thus requiring President Fox to negotiate support from the PRI and the Party of the Democratic Revolution (PRD) for each and every law he wants passed. It is quite probable that the opposition parties could block many of Fox's proposed bills, or ensure that the resulting legislation is watered down. Very aware of the obstacles posed by Congress, President Fox has announced his intention to "modernize" the 1917 Constitution by adopting, among other new procedures, the use of plebiscites and referendums.

The Remnants of the Past

Outside of Congress President Fox may lack the seasoned political operators who can negotiate behind the scenes with Mexico's main interest groups. At the state level

the 19 PRI state governors are still a force to be reckoned with, the strongest force the PRI has left. Local strongmen or *caciques* trying to maintain their own fiefdoms will be especially unruly. Fox may also face opposition from unions, peasant groups and other popular organizations, many of which are still loyal to the PRI.

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Economic Growth with Quality

Breaking with the economic trends of the past, the Fox *sexenio* got off to a positive start. The government is set to build on the economic stability achieved under former President Zedillo to reach sustained annual growth of at least 5% by 2006 if not before. However, with the US economy slowing down this goal is unlikely. Merrill Lynch and J.P. Morgan's economists are in fact predicting that Mexico's growth rate will slow to 4% this year.

Two immediate fiscal priorities for the Fox government will be the reform of the energy production sector and the tax system. Both are igniting fierce political and popular opposition. Mexico needs some \$US445 billion to expand and upgrade its strained electricity grid over the next decade. Much to the government's dismay, the Mexican Constitution virtually forbids foreign investment in this sector. Fox has agreed to keep the state oil monopoly PEMEX intact (at least for now) but try to modernize it, and allow more private investment in electricity generation. An effort by former President Zedillo to open the energy production industry foundered in Congress last year and it is clear that the divided Congress will hinder the progress of the reform under President Fox as well. With regard to tax reform, unless Fox is able to raise tax revenues public finances will remain vulnerable to swings in oil prices and the government will not be able to deliver on expensive campaign pledges. The thorniest aspect of tax reform, expected to be proposed to Congress in April 2001, will be a plan to impose a 15% value-added tax on food and medicine. The idea met with a storm of protest when it was floated by Fox's transition team before he took office. Simplifying the tax system and cracking down on evasion will carry substantial political costs and, predicting a less than supportive Congress, Fox has appealed directly to the population to support his initiative.

Social Development with Justice

The prospects for equitable economic growth in Mexico are still slim in the next five to ten years. With one half of the population (of around 90 million) living in poverty, income distribution and development extremely uneven, high underemployment, a relatively uneducated

workforce, and a poor tax collection rate, social policy will be the central challenge of the Fox government. Thus far, no "revolutionary" proposals have been put forth in the social sphere and even at this early stage many onlookers speculate that Vicente Fox's legacy will not be in the area of social policy. However, a long-term comprehensive strategy to bring the benefits of Mexico's economic growth to the rural and urban poor is in the early stages of development.

This strategy projects that social spending will increase by 2% GDP with the goal of reducing the numbers of Mexicans living in poverty by a third. The government will try to spread wealth more evenly by promoting small and medium-sized businesses, micro-credit schemes, and by instituting a regional development program (the Puebla-Panama project) to reduce imbalances between north and south, and cities and the countryside. Education will receive an extra 3% of GDP (it gets 4.5% now) and a system of grants and scholarships designed to make college affordable to the broader public will be established. The President has already raised more than \$US100 million for the fund, largely from private corporations that are looking for more skilled Mexican workers. Facilitating access to education in Mexico, however, will not automatically improve its quality. The government has yet to draw attention to this issue. Ultimately, improving education, making tax collection more efficient and fair, and providing more access to capital for small and medium-sized businesses, should build a stronger middle class in Mexico, but only in the long-term. Until this social development strategy shows results however, the government will still be dependent on distributive social programs such as President Salinas' PRONASOL and President Zedillo's PROGRESA. PRONASOL (otherwise known as the National Solidarity Program) is a multi-billion dollar social program targeted at the poorest of the poor that bypassed local PRI leaders by being administered directly from the office of the President. PROGRESA offers the poorest of families assistance to meet their nutritional, health, and basic educational needs. The assistance is provided to the mothers of families under the condition that their children remain in school.

The challenge will be to separate the programs from the corruption, clientelism and patronage that they have become notorious for.

Order And Respect

A pre-condition for successful economic and social reforms will be restoring the rule of law in Mexico. Mexico recently placed fourth after Indonesia, Thailand, and Nigeria on the World Bank's list of the 21 most corrupt nations, and ranked 58th out of 99 countries (99 being the most corrupt) in the 1999 Transparency International Corruption Perception Index. The country is in dire need of judicial reform, powerful drug cartels have wreaked havoc on Mexican law enforcement institutions, and crime and impunity are persistent problems. In addition, police forces are under-trained and under-paid, and the military is over-stretched.

The Fox government is in the process of developing second-tier democratic reforms including long-term measures aimed at fighting corruption, improving efficiency in the running of public affairs, as well as promoting transparency and integrity in the management of public funds. The government vows to encourage the participation of society as a whole (civil society, the private sector, legislators, media) in anti-corruption campaigns, and will work to ensure that any public officials and private sector representatives involved in corrupt practices are not immune to the law. In addition a transparency commission is being proposed to open official records to expose the corruption of the old regime.

Civil society organizations will be included in policy formulation, consultation, and outreach, and the government plans to experiment with formulas related to direct democracy, such as plebiscites, referendums, and people's initiatives. Law enforcement will receive a thorough overhaul. The government is at work separating the roles of law enforcement and justice by taking control of the country's many federal police forces away from the Interior Ministry and placing it in the hands of the new Security and Justice Ministry. The long-term goal is to create a universal police force to replace the current fragmented multitude of police forces responsible for different types of

crime. The role of the army in the war against drug smugglers will gradually diminish. Other second-tier democratic reforms include: a Freedom of Information Act to make government information available to the public (a historic undertaking in a country such as Mexico which has one of the world's worst records on public access to information), improved human rights safeguards, more decentralization, and an end to a ban on consecutive terms for mayors and members of Congress.

Finally, the government is attempting to draw Zapatista rebels back to peace talks in an effort to end their seven-year rebellion over indigenous rights. President Fox announced the withdrawal of four major military bases in Chiapas, released some Zapatista sympathizers and sent an Indian Rights bill to Congress for legislative approval. The Zapatistas want additional bases closed down, and the release of more sympathizers. They plan to march unarmed to Mexico City in a 17-day procession, arriving March 11 to lobby Congress for passage of the Indian Rights bill. The legislation would enact into law the 1996 San Andrés Peace Accords between Zapatista rebels and the previous Zedillo government, shelved over the PRI's concern that autonomy for indigenous communities threatened national unity. If Fox is able to negotiate an end to the Chiapas problem, it would hand him a major victory on one of his central campaign promises. The Mexican public opposes a military solution and the government recognizes that indigenous groups have been treated unjustly and consigned to poverty and marginalization in southern Mexico.

THE NORTH AMERICAN OPTION

President Fox's Long-Term Vision for NAFTA

The Mexican government will make a concerted effort over the next few years to deepen NAFTA, strengthen its institutions, and ensure that economic integration is equitable and beneficial for the Mexican people. Within 20 or 30 years, the ideal would be the establishment of a North American community (not unlike the EU) with improved macroeconomic policy coordination, a "social cohesion" or development fund, and open borders allowing for the free movement of goods,

services, and people. As the least developed partner in NAFTA Mexico clearly has the most to gain from this option. Fox's long-term vision has been met with polite scepticism by US and Canadian leaders. However, it may very well be worth taking a closer look at what Fox is proposing, since each concrete step Mexico takes toward this long-term goal will be a step toward a more stable, developed and democratic NAFTA partner. While the US' stake in strengthening relations with the Fox government appears to be self-evident given economic dependencies, a shared border, and a large population of Mexican-Americans residing in the US, Canada could also have an important role to play.

Mexico-Canada Relations

Mexico has become Canada's third trading partner after the US and Japan with bilateral trade worth about US\$8 billion in 1999, still a small figure compared to the US\$352 billion US-Canada bilateral trade figure. However, Canada's trade with Mexico has increased by 15% a year since 1994, led primarily by the auto parts industry, and Canadian direct investment in Mexico reached C\$2.8 billion in 1999, almost tripling since 1994 (Canadian accumulated direct investment in Brazil at C\$6 billion is still higher than in Mexico). On the non-trade front, Mexico-Canada relations are not characterized by explosive border issues, nor a history of intervention, and Mexican immigration to Canada is relatively low. The two countries, however, share a common reality: they are both critically dependent on the US economy — 86% of Canada's exports, and over 82% of Mexico's exports go to the US.

Areas of contention between Mexico and Canada are far more discreet than those between Mexico and the US — found mainly in national values and principles underlying the countries' foreign policies. Canada is inclined toward multilateral activism, constructive international citizenship, coalition and institution building, and mediation. It concentrates international diplomacy on specific thematic issues, the most recent being the human security agenda. Such characteristics have run counter to Mexico's

principles of non-intervention and national sovereignty, and its preference for bilateral diplomacy. Canada has been a major promoter of multilateralism, economic integration, strengthening democracy in the hemisphere, civil society inclusion in policy-making, and the protection of human rights. It has been a consistent supporter of the OAS and the Summit of the Americas process. In the past, Mexico's contrasting foreign policy frustrated many of these goals for Canada. It is anticipated that a new more pro-active approach by Mexico at the hemispheric level could facilitate the achievement of Canada's foreign policy goals. Mexico's intention to seek a seat at the UN Security Council in 2002–2003 is also an encouraging signal.

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At the sub-continental level Mexico's talent for bilateral diplomacy has made the country a formidable competitor for US attention. Canada and Mexico's mutual dependence on the US economy makes bilateral relations with the US pivotal in their respective foreign policies. In the course of the last century Canada and the US have developed the largest bilateral trade relationship in the world. Mexico however, is quickly taking its own share of the US market. Moreover, economic ties, combined with the large Mexican-

American population in the US, have allotted Mexico major lobbying power in Washington and a large diplomatic presence throughout the country. Canada has kept a low profile in the US, at least by comparison. Moreover, the new Bush administration is set to place Mexico at the top of the nation's foreign policy agenda. On the campaign trail, George W. Bush rarely mentioned Canada, while he went out of his way to show his enthusiasm for Mexico. Canada's current Minister of Foreign Affairs John Manley has stated that Canada should strengthen its presence in Washington, or in his words nurture relations with the US and assert our "specialness". In reality however, Canada and Mexico need not compete for US attention. Mexico's policies toward its northern neighbour could actually serve to stimulate Canada's own discourse with the US. Conversely, Mexico sees in Canada an example of how to have a more positive and equal relationship with its northern neighbour.

CONCLUSION: PRESCRIPTIONS FOR LONG-TERM ENGAGEMENT WITH MEXICO

A Long-Term Foreign Policy

While trade and investment will continue to be the force behind Canada-Mexico relations, it is important that Canada round out policy concerns in Mexico beyond business statistics.

There are a number of reasons why Canada should engage with Mexico, three of these being:

- *Competition in the Political Arena:* As mentioned, bilateral relations between the US and Mexico are predicted to grow and become more substantial under the Fox and Bush administrations. Many fear that Canada could be left out of the relationship if it does not nurture relations with both NAFTA partners.
- *Trans-national Concerns:* The challenges Mexico faces respect no tidy distinction between foreign and domestic domains. Migration, narcotics, organized crime, corruption, environmental degradation, and security are trans-national in nature, and require Canada and Mexico to strengthen and broaden collaboration to find solutions. Even traditionally domestic problems such as fighting poverty, redressing inequities, improving human rights, and second-tier democratic reforms are difficult to address in isolation.
- *Partners in the Hemisphere:* Canada has been a major promoter of such issues as sustainable development, drug abuse control, trade liberalization, economic integration, civil society inclusion, and above all, strengthening democracy and human rights. It has been a consistent supporter of the OAS and the Summit of the Americas process. A more open, proactive Mexico at the hemispheric level could facilitate the achievement of Canada's foreign policy goals.

Canada can best respond to Mexico's domestic and international priorities by adjusting its long-term foreign policy toward Mexico so as to respond to changes there. It should be flexible enough to anticipate further reforms in the country, and it

needs to be consistent so as to develop a relationship that is not derailed by short-term difficulties. More specifically, the policy should support the key elements of President Fox's reform agenda.

Canada and Mexico need not compete for US attention. Mexico's policies toward its northern neighbour could actually serve to stimulate Canada's own discourse with the US. Conversely, Mexico sees in Canada an example of how to have a more positive and equal relationship with its northern neighbour.

Deepening engagement with Mexico is not something that would start at point zero. It would build on a rich network already in place. The current Canada-Mexico bilateral relationship is becoming highly decentralized through state-province relations, trade, business-to-business arrangements, university and youth exchanges, civil society networks etc. Yet, overall Canadians are largely unaware of these daily interactions. Maintaining a long-term and consistent foreign policy would depend on convincing Canadian society to look beyond the US and see the value of engagement with Mexico.

Canadians should be made aware that many reforms have already taken place in Mexico and if the new government accomplishes even a part of what Vicente Fox has promised, the nation will be profoundly transformed. More attention by the Canadian media would be the first step in increasing general awareness about Mexico. Furthermore, Canadian non-governmental organizations need to understand better and act more constructively with regard to Mexico's simultaneous political and economic transitions. Continuing to make the situation in Chiapas the centre of advocacy and policy work, and taking a hard line against human rights in Mexico is fine as long as other significant issues and the bigger picture of change are not overlooked. With this in mind, Canadian policy-makers may want to consider the following examples of long-term policy objectives toward Mexico:

- Work closely with Mexico to make NAFTA institutions perform better and to the advantage

of both Canada and Mexico. This would include making more concrete progress under the labour and environment side accords; and deciding on future NAFTA-related actions that could be undertaken together.

- Be watchful of Mexico-US border relations, since they are at the core of the Mexico-US relationship. The possibility is always there that the US could develop a common border policy for both its neighbours, hence fortifying what is now a relatively uncontrolled northern border. Canada and Mexico could undertake long-term studies of border management and migration issues.
- Move beyond the idea that Mexico was a problem to which NAFTA was the solution, and treat Mexico as an equal. Equality within NAFTA would probably require some kind of financial transfer mechanism to be put in place so as to enable the Mexican government to finance much-needed social and second-tier democratic reforms. The Canadian government will not accept the idea of a development fund overnight, but it should begin to take small steps toward such an initiative.
- Establish a joint council of social experts. Over the next few years the council could conduct in-depth research into how to build state capacity and popular support regarding the delivery of basic social services throughout the diverse regions of both countries. Though less pronounced, regional disparity is an issue for Canada as well, and the quality and cost of social service delivery in the various regions of the country is a major domestic policy issue.

Short-Term “Doables”

Concrete, practical initiatives that Canada and Mexico could undertake together within the first year of the Fox administration should be included in the 2001 version of the *Canada-Mexico Declaration of Objectives and Action Plan* which was originally prepared by the governments of Canada and Mexico in 1996 and revised in 1999. Canadian policy-makers may want to consider the following examples of short-term initiatives:

- Support Vicente Fox’s proposal to create a transparency commission in an effort to combat

corruption in Mexico. Canada has models of independent oversight institutions in place such as the Auditor General, the Ethics Commissioner, and the Access to Information Office, which support transparency and disclosure and check corruption.

- Share experiences and know-how on conducting public consultations on a variety of policy issues. A minority in Congress may make it necessary for the Fox administration to encourage the participation of civil society in policy-making by using public consultations and hearings to achieve consensus amongst deputies and senators.
- Hold discussions with the Council of Ministers of Education in Canada (CMEC) regarding the possibilities of collaborating with its Mexican counterpart, the Secretary of Public Education (SEP). The CMEC has an interest in the Americas (it worked on education mandates from the Santiago Summit). It has the convening authority to bring together organizations of higher education such as the Association of Universities and Colleges of Canada (AUCC) and the Association of Canadian Community Colleges (ACCC) to discuss priorities with Mexico. CMEC is also able to leverage funding from the provincial ministries of education. The initiative would not be about academic exchanges and scholarships, but rather the governance of education or the renewal of educational institutions and infrastructure.
- Identify common priorities in the area of health and the environment. Mexico has made progress curbing air pollution (2000 was the first year that a smog alert was not called in Mexico City) and it is plausible that the Fox administration could take the lead on the health-environment link. Respiratory diseases in children, and access to clean water are issues that resonate through both Canada and Mexico’s domestic policies.
- Provide immediate technical support through Elections Canada and IFE, with assistance from the OAS Unit for the Promotion of Democracy (UPD) to reform Peru’s electoral institutions before the April 8, 2001 presidential election.
- Use Canada and Mexico’s uninterrupted relations with Cuba to initiate discussions on a common

policy toward the country. Such an initiative would coincide with the end of the 5 year policy objectives of the *Joint Declaration of the Ministers of Foreign Affairs of Canada and Cuba* prepared in 1995.

- Give early indication that Canada will support Mexico in its UN Security Council bid.

President Fox will be making an official state visit to Canada on the margins of the Quebec City

Summit of the Americas in April. Prime Minister Chrétien should signal Canada's long-term commitment to Mexico by giving serious consideration to some of the proposals mentioned here. April 2001 should be seen as a tremendous opportunity to engage Mexico both bilaterally and multilaterally.

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