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THE 2004 JOHN L. MANION LECTURE

North America in the 21st Century

Jorge C. Castañeda

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INTRODUCTION

Janice Cochrane
President
Canada School of Public Service

The Canada School of Public Service is pleased to publish the thirteenth annual Manion Lecture, *North America in the 21st Century*. The Manion Lecture brings together leaders of the public service and outstanding thinkers concerned with contemporary and comparative issues of public management.

The Manion Lecture is named in honour of the Canadian Centre for Management Development's first Principal and distinguished public servant, John L. Manion. Former speakers have addressed pressing public policy and public management issues that affect the professional roles and responsibilities of public servants.

The 2004 Manion Lecture, the first from the Canada School of Public Service, looks at the future of integration in North America. The lecture complements various projects conducted by the School that have sought to help public servants deepen their understanding of recent changes and future trends within North America.

Attended by more than 250 federal public servants, the 2004 Manion Lecture was delivered by Dr. Jorge Castañeda, a renowned Mexican intellectual and practitioner. Dr. Castañeda challenged us to reflect on the prospects for North American integration within a turbulent post-Cold War, post-9/11 global context, and helped us to deepen our understanding of the key role that Mexico plays in North America and the Hemisphere.

I am especially glad that Dr. Jorge Castañeda accepted to deliver the John L. Manion Lecture this year. In 2004, we celebrate not one, but three anniversaries of fruitful relations between our countries. The year 2004 marks 60 years of diplomatic relations between Canada and Mexico, 30 years of our successful Temporary Agricultural Workers Program, and 10 years of commercial association between Canada, Mexico and the United States under the North American Free Trade Agreement.

In his speech, Dr. Castañeda sets out a vision for a North American Economic Community which would develop closer linkages among Canada, the United States and Mexico on five pillars. While recognizing the significant differences between the three countries, there is a need for building deeper integration through stronger institutions and increased cooperation in the areas of development, energy, immigration and security. Closer collaboration between Mexico and its North American partners has the potential of reducing the development gap not only in terms of economic prosperity, but also in terms of good governance, democratic consolidation and respect for human rights.

This lecture is particularly timely as every federal department today faces pressures in bringing international – and especially continental – considerations into its management framework when developing and implementing policies. Over the long term, Canada faces a spectrum of options for building formal institutions and informal arrangements bilaterally and trilaterally in North America as economic and business activity continues to grow and as people-to-people linkages become closer. To make these choices, we as public servants need to deepen our knowledge of the complex and rapidly changing North American environment. Dr. Castañeda’s lecture made a substantial contribution to our reflections on the future of our region.

In closing, I would like to thank Nadia Ponce Morales (of the School) for her work on editing Dr. Castañeda's remarks.

ABOUT THE AUTHOR

Jorge G. Castañeda was born and raised in Mexico City. He received his B.A. from Princeton University and his PhD from the University of Paris. He has been a professor of international affairs at the National Autonomous University of Mexico since 1978, and was appointed Global Distinguished Professor of Politics and Latin American Studies at New York University.

Among the books he has authored or co-authored in English are: *Limits to Friendship: The United States and Mexico* with Robert Pastor (1988); *Utopia Unarmed: The Latin American Left after the Cold War* (1993); *The Mexican Shock: Its Meaning for the United States* (1996); *Compañero: The Life and Death of Che Guevara*, (1997); and *Perpetuating Power: How Mexican Presidents Are Chosen* (2000).

He is a regular columnist for the Mexican daily Reforma, *El País* (Spain), *Los Angeles Times* and *Newsweek International*.

Dr. Castañeda was one of the principal electoral strategists of the presidential campaign for Vicente Fox Quesada, who won the July 2000 elections in Mexico. He served as Secretary of Foreign Affairs from December 2000 to January 2003. In June 2003, he was appointed as a Board Member of Human Rights Watch and the International Crisis Group. He is currently running as an independent candidate for the 2006 Presidential election in Mexico.

NORTH AMERICA IN THE 21ST CENTURY

Dr. Jorge C. Castañeda

I am truly delighted to be with you this evening and would like to thank you for the opportunity of sharing a few ideas on the future of our region – that of our two countries and, of course, the United States, our common neighbour. Unfortunately, we cannot disregard our neighbour but rather should talk about the United States between ourselves.

I would like to begin my comments with a brief summary on how in Mexico, we sometimes deal with the United States.

There are two duck hunters along the Rio Bravo (which Americans call the Rio Grande) – the river that separates Mexico from the United States, and flows from Ciudad Juarez to the Gulf. Both hunters are shooting at ducks on opposite sides of the river. They shoot the same duck. The duck falls in the middle of the river and they both run into the river. The American grabs the dead duck by the neck while the Mexican grabs the duck by the tail. The American says, “Hey, come on Mexican, we have had enough of this nonsense! We have NAFTA. We have the Canadians, we have to be careful, we are serious people, we cannot act like this anymore. Let’s find the most reasonable way of deciding who gets the duck, to settle the ‘duck question’”.

The Mexican says “I agree this is ridiculous. We are now a mature and responsible country. We do not have a sheep on our shoulders anymore. I have an idea, American, about how we can settle the ‘duck question’. We put the duck down, we put the shotguns down and we each kick each other as hard as possible. Whoever does not scream and shout can keep the duck.”

The American thinks, “This crazy Mexican, I am twice his size, I had a good breakfast and I have been drinking milk since I was two years old. This tiny little Mexican, this guy is nuts”. The American says, “OK, for the sake of NAFTA, let’s do it.”

The Mexican says, “Well, but you know, we’re poorer than you are, I’m slower than you are. Why don’t I go first?”

The American agrees, thinking, “What the Hell! Go first! These guys are crazy!”

So the Mexican gets ready, runs and kicks the American as hard as he can. The American doubles up and he’s in terrible pain. But he doesn’t scream, he doesn’t shout, he stands up and says “All right, you crazy Mexican, now it is my turn!”

And the Mexican says, “Hey, you dumb Gringo, keep your duck!”

If it were always that easy...

It is a fact that we – Mexicans and Canadians – have to deal with our neighbour. Most of the time the relationship with our neighbour is an opportunity – an opportunity that has helped both countries over the years. But, sometimes it is a difficult relationship. And on many occasions, the views held by Canada and Mexico have coincided, most recently regarding the intervention in Iraq. I think that time and history have proved us both right. And I think that agreeing on this issue was a stellar moment in Mexican and Canadian diplomacy.

FIVE POINTS FOR BUILDING A NORTH AMERICAN ECONOMIC COMMUNITY

But that is not what I am here to talk about tonight. What I would like to talk about tonight is the vision that many people in Canada, the United States and Mexico have been creating over the past few years. We can call this either a North American Economic Community or a North American Community, something that goes beyond the North American Free Trade Agreement (NAFTA), and beyond the three bilateral relationships. It is an effort to establish a trilateral relationship to deal with many of the issues that our three countries face.

A North American Community would be different from NAFTA. The main point I would like to emphasize, is that our differences can be very specific, very important, but also very positive. And I would like to run through them quickly.

1. Building new institutions

First, I would like to address institutions. NAFTA was by definition meant to be an institution-less agreement. It was about trade, investment, intellectual property, dispute-settlement mechanisms, among other aspects, but no broader machinery. The message was, “no Brussels.” Yet many of the Europeans say that the only thing worse than Brussels is no Brussels, and I think that they have a point.

This lack of institutions is beginning to weaken NAFTA. Some areas could benefit from more extensive participation by the three countries. For example, Canada could join the North American

Development Bank in San Antonio,¹ which would bring new blood, new ideas – and perhaps new capital – into the organization.

That is just one case. A second example is the difficulty we constantly face in finding specialists for the *ad hoc* dispute-settlement panels. It often takes too much time to set up a dispute settlement panel because we cannot find enough experts without conflicts of interest willing to serve on these panels.

We literally have no standing institutions except for the tri-national administration offices of the Environmental and Labour chapters of NAFTA, which unfortunately have not had very much work to do. I believe they should be doing more.

Building more institutions and the right institutions are fundamental aspect of a North American Economic Community. We need these institutions, which would not imply creating an all-powerful bureaucracy, abandoning national sovereignty, or adopting a single currency. Such institutions could mean many other things. I have just pointed out two existing examples; however, there are many other ones that we could build to support such a community.

¹ The North American Development Bank (NADB) and its sister institution, the Border Environment Cooperation Commission (BECC), were created under the auspices of the North American Free Trade Agreement (NAFTA). Headquartered in San Antonio, Texas, the NADB is a bilaterally-funded, international organization, in which Mexico and the United States participate as equal partners.

2. Development

The second point I would like to make, and the most important one for Mexico, is something along the lines of a development fund. This is a fundamental conceptual issue. In the long term, NAFTA cannot work in a way that is beneficial to the three countries unless the development gap between Mexico and its two northern neighbours is reduced. The gap is not only immense, but it is growing wider. And that gap cannot be filled and will not be filled unless there is a significant effort made by the United States and Canada to help Mexico come closer – in terms of technology and overall development – to its two partners in NAFTA.

Mexico is not southern Italy, Ireland, Poland or Greece but there are things to learn from these regions, and now also from the ten countries that have just joined the European Union. This is the best investment anyone can make if we truly believe in a North American Economic Community. The more Mexico is separated from its neighbours and from its partners by a development gap, a poverty gap, and a corruption, immigration and drug enforcement gap, the more difficult it will be for the three countries to build this community.

A North American Economic Community cannot work without a developed Mexico. I am also increasingly convinced that a developed Mexico cannot happen without the support of a North American Economic Community.²

² This point has been made at length by authors like Robert A. Pastor, who is Professor of International Relations and Director of the Center for North American Studies at American University. Professor Pastor is the author of *Toward a North American Community: Lessons from the Old World for the New*. His latest article is Robert A. Pastor, "North America's Second Decade" in *Foreign Affairs*, January/February 2004, p. 124-135.

3. The Energy sector

Energy was excluded from NAFTA, mainly for Mexican reasons and partly for Canadian reasons. Perhaps this was the only way to sign NAFTA ten years ago, or 12 years ago when the negotiations began. But clearly today, this is an aspect that our three countries should address. We began to do so at a lunch in Quebec City at the Summit of the Americas sponsored by former Prime Minister Chrétien and attended by President Bush and President Fox. Unfortunately, many other things have happened since the summit and we have made very little progress on the matter of energy.

It is not easy to find a solution. The legal and constitutional obstacles in Mexico are immense, but it is clear that we have a dysfunctional situation in North America today on the energy front. In Mexico we have huge resources of both associated and non-associated natural gas, and yet we are importing nearly a billion dollars a year of natural gas from the United States at exorbitant prices. The United States imports half of its crude oil from Saudi Arabia, the Persian Gulf and Venezuela, which in the best of cases are not highly reliable sources. And at the same time, Mexico has huge resources of crude oil in the subsoil that we cannot get out of the ground and cannot sell.³ If we had access to these resources, we could finance and address the country's enormous development needs. This is a problem we have to address in an imaginative, constructive, pragmatic and flexible way, understanding not only the national constraints that exist, but also the incentives that exist to create an Energy Community within a North American Economic Community.

³ As of January 2004, Mexico had the fourth largest proven crude oil reserves in the Western Hemisphere after Canada, Venezuela, and the United States. In 2003, Mexico produced an estimated 3.8 million barrels per day (bbl/d) of oil (including crude oil, condensate and natural gas liquids), of which 3.4 million bbl/d was crude. Source: US Energy Information Administration, 2004.

4. Immigration issues

Immigration is a very difficult issue. It is difficult for the Americans and also for Canada. Soon after President Fox took office in December 2000, Foreign Minister John Manley travelled to Mexico. We had a very interesting discussion on the possibilities of broadening the temporary worker program with Canada. I think some progress has been made on that front, but nowhere near what would be necessary, certainly for Mexico and we believe for Canada as well. The number of participants in the program has remained at levels that are insignificant by Mexican and Canadian standards. More importantly, we have not been able to make the kind of progress Mexico had hoped for with the Americans on the immigration front.

Immigration, or the free movement of people, was another issue that was taken off the table during the NAFTA negotiations, perhaps rightly so because it was the only way to get the agreement done. But this issue has to be addressed. And if it is not addressed, it will be increasingly difficult for a country like mine, for Mexico, to move forward on an ambitious North American Economic Community agenda. This is the single most important issue for Mexico today. It will continue to be so for at least ten or fifteen years.

5. The Security issue

And finally, there is of course, the security issue. After 9/11, Canada very quickly negotiated a Smart Border Agreement with the United States. Perhaps it was easier for you to do than for us. Perhaps there were fewer issues, although they were undoubtedly complicated. If I recall well, many of the just-in-time factories along the border, in Windsor and elsewhere, had very serious

problems with inputs coming and going across the border with the United States after 9/11. Opening the border while ensuring security was a very serious matter for Canada and it was also a very dramatic issue for Mexico.

We tried to convince the Americans, and I will be frank on this, to convince the Canadian authorities that we should work together on the security issue. We said we should try to find ways – minimal at first, then building on them – to trilateralize the security issue. We should try to create a North American Security Perimeter that would allow the United States to address its legitimate security concerns at both borders, while ensuring the movement of people and cargo across the two borders.

It is important to recall that 95 percent of Mexico's foreign trade is with the United States, and total trade represents 60 percent of Mexican GDP. We receive 20 million tourists a year from abroad, of which 90 percent come from the United States. Consequently, it is fundamental for us to have expeditious and convenient movement of people and cargo from Mexico to the United States.

We have not made as much progress as I thought we could make in finding areas where we can build trilateral cooperation. We were able to work together on some security issues at our three embassies abroad, such as joint lists of applicants for passports and visas. We made some progress, but very little. This remains a fundamental issue for the future.

I will speak only for Mexico, and it is up to you to judge if this is relevant to Canada also. Many people know, from drug dealers to people smugglers, that the best way to enter the United States illegally is through Mexico. There is no reason to believe that others will not reach the same conclusion. There is no reason to

believe that terrorist groups around the world will not reach this or have not already reached the same conclusion.

And this makes the security issue all the more important. The notion that the United States can truly enhance its security without working with Mexico and Canada makes very little sense. So too is the notion that the United States can work with Canada and with Mexico separately. We will see over the years that these are mistaken notions, which is why we should now try to move forward on this issue, step by step.

THE BENEFITS FOR THE THREE NORTH AMERICAN COUNTRIES

If we take these five aspects – institutions, development, energy, immigration and security – we have the building blocks of a North American Economic Community. It is a vision for our three countries, building on NAFTA, but going beyond NAFTA.

Why is this desirable for Canada and the United States? I think it is desirable because it will enhance in the long term Canadian and American competitiveness, particularly given the challenges from other regions of the world. It increases the resources that are available in the three countries and that are not necessarily available in each one of the three. For example, in the future the United States and Canada will both require Mexican labour. Mexican labour combines some special characteristics: it is at the same time low priced and well-educated. However, this is not necessarily a good thing for Mexico in the long term. One of the ways to counter the effects of out-migration is precisely to join with the United States and with Canada in this North American Economic Community. In the long term, this would also prove

positive for the United States and for Canada, because Mexico could eventually be highly competitive in providing the types of services that Canada and the United States will increasingly need – from back office to call centers, from tourism to a place to retire for snowbirds. We, in Mexico, know that we will be losing our manufacturing export base over time. And we know that we have to become competitive in other areas, particularly in the export of services. Our natural partners for this are Canada and the United States. In order for this to happen, we have to join in a vision such as a North American Economic Community.

Why would such a community be good for Mexico? Firstly, Mexico needs above all, to develop. We are not growing at the rate we need to grow. We need to create jobs. We need to improve the standard of living of our people. We need to create the future for our people that they have not had for many years, if ever. I am increasingly convinced, (as many Mexicans are, in all political parties) that the future of the development of Mexico lies in its partnership with Canada and the United States. Without these economic partnerships, our development will take place more slowly, if at all.

Secondly, the prospect of such a community is good for Mexico because it will anchor Mexico's enormous progress in democracy and human rights in a way similar to how Portugal, Greece and Spain anchored their transition to democracy in the 70s and 80s. They did this by joining the then European Economic Community, now constituted as the European Union (EU). Today, many Eastern European countries joining the EU are also consolidating their democracy and their respect for human rights through this relationship. Democracy in Mexico and respect for human rights in Mexico cannot be taken for granted; we have fought for them over the years. The more we can anchor

democracy and respect for human rights on a closer relationship with the United States and Canada, the more likely we will deeply embed them in our country.

And finally, we in Mexico need a vision for the future. But it has to be a realistic vision. We can no longer tell our people stories. We have told them so many stories for such a long time that they no longer believe a word of what we are saying. And that is why we have to tell them a true story: a story of prosperity, a story of improved living standards, a story of democracy. The story we can tell our people is that we can build a better future, if it is built together with our partners in NAFTA or perhaps more importantly, our partners in a North American Economic Community.

QUESTIONS AND ANSWERS⁴

Mexico's Relations with Latin America

How can we situate Mexico's objectives for development within a larger Latin American and hemispheric context? Mexico's immediate neighbours are smaller countries and perhaps less developed than those further to the south in the continent, but they can be part of a strategy for economic development along the lines I have tried to sketch out for North America.

The case of our Mexico's economic relations with Argentina, Brazil, Chile and the rest of South America is different. The heart of the matter is that the United States became Mexico's most

⁴ Editor's Note: The following sections of the Lecture are based on an exchange between the audience and the speaker. The order of the issues addressed has been slightly modified.

important trading partner around 1985. During World War I, almost 100 percent of our trade was with the United States, and today it is around 95 percent. Mexico should increase trade with Argentina, Brazil and Chile, and in fact, trade has increased with them recently. However, our trading priority should remain with the US.

I am convinced that Mexico should enhance, develop and deepen its political and cultural relations with South America, while understanding that our trade, financial and tourist relations inevitably will become closer with the United States and Canada. (This is also why our multilateral participation and our role in the United Nations are so important.) Mexico's split between North America and the rest of the hemisphere is a very difficult situation to manage, but becoming closer to our partners in NAFTA is the only realistic way of approaching it. Turning our trade priorities to the South has not worked for the last century and there is no reason to believe that this will work in the future.

US support for a North American Economic Community

Does this five-point agenda have much chance from the American standpoint of securing positive outcomes for North America? What have Americans said? They agree with the principle, but don't like to go into the details. We have made a lot of progress on the basics of the development fund, for example, but the Americans continue to insist that it be a private-sector body. In addition, there was progress on the immigration issue, but this has stalled since September 11, 2001. As for institutions, the American position is still negative, which is not at all surprising. Lastly, despite a certain softening of the Americans' position on energy, they continue to view this question, with respect to Mexico and

North America, solely from a market standpoint, which may be well and good in an ideal world, but can't work in the current situation.

It is important to stress that, even with a government as ideological as President Bush's, we have made both conceptual and concrete progress, especially on the security front. Just like the system you have here in Canada, we too hope to set up pre-clearance procedures in at least one Mexican airport within a matter of months. This threshold will be difficult to cross, but it is crucially important for us, particularly since we already provide pre-clearance for road traffic on Mexico's northern border.

Thus, despite everything, we have made a lot of progress, which makes us hopeful that we could do a lot more if President Bush is re-elected, especially if he could get rid of a few constraints that he was subject to during his first term. If, on the other hand, Senator Kerry is elected, we will have sufficiently solid foundations to move ahead on the basis of what we accomplished with the Bush administration.

The evolution of North American integration and NAFTA's side agreements

Within a deeper North American Economic Community, how could the institutions created by the NAFTA-side agreements on environment and social protection evolve? I have always agreed with environmental and labour issues being addressed in the context of NAFTA negotiations. Indeed, these aspects were a point of disagreement between me and the Carlos Salinas government at the time and, in fact, I continue to hold the same views.

I think that the absence of sanctions and of a hard line on environment and labour issues has been a weakness in NAFTA and, even today, we continue to suffer the consequences. In my opinion, we need a much stronger system. It's not absolutely necessary to change institutions or sections of the agreement, but we need to be clearer. In Mexico's case, I am convinced that the only way to advance environmental protection and union democracy, which are absolutely essential now, is to receive support from abroad.

Obviously, we have to "call a spade a spade!" For a very long time, the struggle for human rights in Mexico received enormous support from the international community, and now we need the same type of support to protect the environment, union democracy and labour rights, in the same way that human rights are now protected. On the elections front, Jean Pierre Kingsley was a big help to us when our federal elections institute was set up. In fact, it is largely thanks to him and to Elections Canada that we were able to have increasingly democratic elections during the 1990s⁵. We need to continue our efforts and aim for improvements in these other areas.

Natural resources and third country investments

Mexico and Canada have a common range of interests in the natural resources area. Mexico has significant mining and metallurgical industries, a fairly important oil industry as well as

⁵ Elections Canada signed a five-year bilateral technical cooperation agreement with the Instituto Federal Electoral (IFE) of Mexico, which came into effect in June 1996. The purpose of the agreement was to identify and promote projects that will help both groups exchange information related to electoral administration, and that will promote consultation, cooperation and technical assistance in this field at the bilateral and international levels.

many other resources. At various periods of history, Mexico and Canada have also shared concerns about the need for trade diversification and third-country investments, as the latter often open up opportunities in larger areas of trade.

We worked a lot on the issue of Canadian cooperation on investment and trade in both mining and energy resources. Unfortunately, we have not made sufficient progress. This has to do with Mexico's constitutional constraints⁶ which have proved to be far more rigid and more difficult to modify than most of us would have thought. My sense is that the constitutional constraints will not be easily modified. It makes more sense to look for ways to work together, particularly with Canadian financial and energy companies on the one hand, and perhaps with the Canadian government on the other. We could work within Mexican constitutional constraints rather than changing them. We should exploit our natural complementarities. In Canada, you have modern and efficient energy and financial institutions; in Mexico, we have the natural resources and the desire to get them out of the ground.

In my presidential campaign, I have insisted many times that we should double our oil exports in five years, which would mean exporting up to three or four million barrels of crude oil a day. This oil could be used to fight our poverty today instead of keeping it in the ground for tomorrow when it will not be necessary anymore. The people who are suffering in Mexico need

⁶ The constitutional provisions on energy are found in articles 25, 27 and 28 of the Mexican Constitution. The State has dominion over all natural resources in the country, including the energy reserves. Article 27 grants exclusive ownership to the Nation of all combustible solids; petroleum and solid, liquid, and gaseous hydrocarbons. The industries related to petroleum; basic petrochemicals, radioactive minerals, and the generation of nuclear and electric energy are all considered "strategic activities" which are reserved exclusively to the public sector under the control of the federal government. These state industries are specifically excluded from the application of anti-trust legislation.

the money today for education, security, health and housing. I think we can work together on this, but we have to be very bold in finding ways to do so, given existing realities. We should not repeat the experience of the last five or six years, which did not bring us progress.

The concept of North America for the populations of the three countries

Does the average Mexican think of him or herself as a North American, as most Canadians can identify themselves, or does he or she feel primarily Mexican? I think that in my country, Mexicans clearly see themselves as Mexicans. That is why I have stressed the notion of a North American Economic Community as a stepping stone because it is the only way to get any support in Mexico to make this happen.

Why would Mexicans think this is a good thing? For similar reasons as to why, at the end of the day, they supported NAFTA. And I can speak very freely about the issue, because I opposed NAFTA as it was negotiated. I still think I was right in saying that the Agreement needed major improvements in order to be truly beneficial for Mexico.

If we can create a development fund, an immigration deal, and enhance Mexican, American and Canadian security, we will avoid the problems that arise every time the Americans get nervous – rightly or not.

We had a huge mess on our hands during this past Christmas, when Americans had reasons to believe that there were real security threats to some of the flights that were leaving from the Mexico City airport. The US began not only cancelling flights

from Mexico City to Los Angeles, but more importantly, asked President Fox to allow officials from the US Federal Bureau of Investigation and Transportation Security Administration into the Mexico City airport. President Fox quite rightly agreed but you can imagine people's frustration when they were missing flights or had to wait eight hours in line to get on a plane. The way to address these issues should be through an overall security agreement instead of dealing with them on a case-by-case basis.

So I think we can create a constituency in Mexico for this. People in Mexico, at the end of the day, support NAFTA. The proof is not what the polls say. The proof is that there are three large political parties in Mexico and not one of the three has ever tabled a single bill calling for the revision or the abrogation of NAFTA. They make speeches and talk a lot about it, but do not want to touch it because they know what would happen if they did; their constituencies – even the left-wing constituency – would strongly oppose any such action. NAFTA, as it is now, is not great, but it is better than the alternative of not having any agreement. I think we should build on this lack of opposition, create a constituency for an Economic Community, and then take it from there.

The anti-globalization and fair-trade movements

What could we say to those portions of civil society who over the last ten years or so have gone to the streets to protest against free trade as the embodiment of globalization, and to the portions of civil society that are talking about fair trade and social globalization instead of free trade and economic globalization?

I think that most of them – not the extreme radicals – would respond positively to a deeper North American Community, because this is exactly what they have been fighting for, in a sense: strengthening environmental and labour chapters and giving them real impact, ensuring that gender rights and indigenous peoples' rights are guaranteed. Civil society associations have been struggling for the inclusion of these issues that were left out of NAFTA's negotiations. In the current environment, NAFTA should address and include these issues.

Social practices and fair trade are, more than any others, the issues that Mexico needs addressed. Strangely enough, when people like Senator Kerry talk about the negative consequences of outsourcing for US workers, and some unions and protectionist congressmen talk about US jobs moving to Mexico, I wish they were! On the contrary, our jobs are moving to China. We now know in Mexico that we cannot compete with countries like India and China simply through low wages. What we need to do is to build skills that can make us competitive in other areas, or perhaps in the same areas. Issues such as fair trade, respecting basic labour standards, basic human rights standards, basic environmental standards, and basic rule of law are absolutely indispensable for making Mexico a modern, democratic and more prosperous country. I think that there is great awareness of this in Mexico today and although there may be a price to pay for this, it is a price that most Mexicans are willing to pay and that would address precisely the concerns that I have mentioned.

The role of Canada in North American immigration issues

I am sometimes asked what role Canada might play with respect to the challenge Mexico has with the United States vis-à-vis Mexican immigration to the US.

One of the reasons we expanded the temporary worker program with Canada was to try to show Americans there could be a growing, humane, but increasingly significant program between Mexico and another country. In this vein, we thought that we should expand the agreement in three ways:

First, expand to areas beyond agriculture. The temporary worker program was never thought of being only for agriculture but it was concentrated in agriculture. We thought it could be expanded to other service areas of the Canadian economy.

Second, expand beyond the provinces in which it was concentrated.

Third, increase the number of participants, from the current figure of 11 or 12 thousand workers per year to 30-50 thousand by the end of the Fox administration in 2006. Unfortunately this has not been possible; there has been an increase but very modest, which means that it is not very significant to Mexico and it is not especially significant as an example for the Americans. This is a pity because we think an expanded program would be important for Canada and certainly for Mexico, and not terribly difficult to manage.

We understood Canadian concerns and have tried to address them in order to move forward, but quite frankly I think that the progress is disappointing.

The importance of remittances for Mexico

With the United States, this is one of the central issues we have tried to negotiate in the framework of an immigration agreement. Remittances from Mexican workers in the United States are today our single most important source of hard currency, more than oil exports or tourism. Roughly 15 billion dollars this year. About 20 - 25 percent of Mexican households receive some money from abroad. This is something that is very remarkable, given the size of the country (100 million people). There are smaller countries where something like this occurs, such as El Salvador, the Dominican Republic and Jamaica.

We have made progress with the Americans in reducing the transaction costs. Obviously, the best way to reduce the transaction costs and to increase the net flow would be to legalize the four to five million Mexicans who are in the United States without papers. By doing so their salaries would rise and the transaction costs would diminish, as they could open bank accounts and find cheaper ways of sending the money. So clearly, in the short term, this would help. There is discussion now about whether or not, over the long term, legalization and family reunification would make remittances drop, as people stay in the United States and become first residents, then citizens and progressively lose their family ties in Mexico. But for now this is an urgent short-term issue, a very important one for millions of Mexican families who literally survive thanks to the remittances.

Hispanic-Americans' integration into American society

If we follow Samuel Huntington's hypothesis,⁷ Hispanic-Americans are integrating poorly into American society and thereby undermining social cohesion. Is this true?

I know Professor Huntington and I respect him as an academic and as someone that is always thought-provoking. I think he exaggerated some real trends and created a threat where it is not clear that there is one. He did not propose any solutions and I think there are some. Moreover, I think he used some statistics which specialists in the area of immigration in the United States have found to be at least questionable, and in certain cases, simply not true, particularly the ones concerning the learning of English as well as assimilation through language, religion and jobs.

I believe Mexico should do everything it can to avoid creating a permanent Mexican minority in the United States. This would be terribly detrimental to Mexico.

Mexico should support Mexicans who decide to relocate to the United States and become part of American society. But we must avoid the creation of a permanent Mexican underclass which will always be a minority in the United States. The notion that the Hispanic population is growing quickly is true, but it is growing from the roughly 18 to 20 million Mexican-origin Hispanics to 23 or perhaps 24 million, not to 280 million. We have to be very careful with this, because otherwise we could end up in a situation that has fractured many countries all over the world. Countries with different cultures, minorities, languages or religions are either

⁷See Samuel Huntington, "The Hispanic Challenge", in *Foreign Policy*, March/April 2004, p. 30-45.

countries that have inherited this situation and have dealt with it in the best way they can, turning it into a source of great diversity and creativity, or into conflicting societies. I do not believe that any country wants to create such a situation when there is not one to begin with.

President Zedillo passed the dual nationality law about ten years ago. It was a major step forward because it allowed millions of Mexicans to become Americans without losing their citizenship rights in Mexico.

One of the perverse effects of 9-11 was that it led many Mexicans who were not US citizens to seek American citizenship because of the negative consequences of being a resident alien in the US.

We have to move forward in fostering the integration of Mexican immigrants into the United States. Huntington went about this the wrong way, with the wrong arguments, with the wrong language, and at the wrong time. On the other hand, we in Mexico should be very clear about what we want. We want Mexicans who move to the United States to retain their Mexican citizenship, to retain their roots, to retain their culture but to become full-fledged Americans. If they become a permanent underclass in the United States, it would be terrible for Mexico, in the first place, and also, at the end of the day, for the United States.