



**STANDING SENATE COMMITTEE ON  
FOREIGN AFFAIRS AND INTERNATIONAL TRADE**

***NORTH AMERICAN NEIGHBOURS:  
MAXIMIZING OPPORTUNITIES AND  
STRENGTHENING COOPERATION FOR A  
MORE PROSPEROUS FUTURE***

**June 2015**

Ce rapport est aussi disponible en français.  
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[www.senate-senat.ca/AEFA.asp](http://www.senate-senat.ca/AEFA.asp).

Information regarding the committee can be obtained through its web site:  
[www.senate-senat.ca/AEFA.asp](http://www.senate-senat.ca/AEFA.asp).

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## ACKNOWLEDGEMENTS

Canada's ongoing prosperity and profile in the world rests upon our ability to maintain a consistent, innovative and multi-dimensional international commercial and foreign policy, balancing and leveraging resources as effectively as possible in regions and countries where our interests and advantages are greatest.

The present report serves as a timely reminder that, while it is critical that Canada take steps to seize such opportunities wherever they exist, we must also remain actively engaged – commercially, politically and interpersonally – in our immediate neighbourhood.

North America, after all, is where Canada first sought to realize the benefits of trade liberalization almost three decades ago. Beginning with the enactment of the Canada-United States Free Trade Agreement in 1988, and superseded by the North American Free Trade Agreement in 1994, Canada's North American commercial and diplomatic relations continue to underpin our status as a trading nation.

Still, the North American relationship has yet to reach its full potential.

It was with this perspective in mind, and in the year of NAFTA's 20<sup>th</sup> anniversary, that the Standing Senate Committee on Foreign Affairs and International Trade undertook to investigate ways in which cooperation between Canada, Mexico and the United States could be improved.

On behalf of the entire Committee, I would like to extend our gratitude to the 22 witnesses that appeared before the Committee in the context of this study. Their frankness and depth of knowledge have guided the Committee in its work, and are reflected in the pages and recommendations contained in this report.

My appreciation also extends to the members of the Committee and their staff for ensuring that our examination of the Canada-United States-Mexico relationship was informed by a diversity of angles and perspectives. I extend a special note of thanks to the members of the Committee's Steering Committee: Senator Percy Downe, whose support and input as Deputy Chair of the Committee is as ever critical to the Committee's success; and Senator Janis Johnson, whose special interest in North American relations gave impetus to this study.

The efficient functioning of the Committee is owed to the Committee's staff. This includes the Committee's researchers, Natalie Mychajlyszyn and James Lee, as well as its previous Clerk, Adam Thompson, his successor, Mark Palmer, and Blair Armitage.

On behalf of all members of the Committee, I hope that the insight and recommendations contained in this report will in the near future be reflected in the policies of the Government

of Canada, and that they will assist ongoing efforts to maximize the North American partnership.

*Senator Raynell Andreychuk  
Chair of the Committee*

## **THE COMMITTEE**

**The following Senators have participated in the study:**

The Honourable Raynell Andreychuk, Chair of the Committee  
The Honourable Percy E. Downe, Deputy Chair of the Committee

and

The Honourable Senators:

Salma Ataullahjan  
Jane Cordy  
Dennis Dawson  
Jacques Demers  
Nicole Eaton  
Suzanne Fortin-Duplessis  
Janis G. Johnson  
Victor Oh  
David P. Smith, P.C.  
Josée Verner, P.C.

**Ex-officio members of the Committee:**

The Honourable Senators Claude Carignan, P.C. (or Yonah Martin) and James Cowan (or Joan Fraser)

**Other Senators who have participated from time to time in the study:**

The Honourable Senators Beyak, Greene, Housakos, Maltais, Raine, Rivard, Robichaud, P.C. and Tannas

**Staff of the Committee:**

James Lee and Natalie Mychajlyszyn, Analysts, Parliamentary Information and Research Service, Library of Parliament

Adam Thompson and Mark Palmer, Clerks of the Committee

Lori Meldrum, Administrative Assistant

**Other Staff who have assisted the Committee from time to time in the study:**

Karen Schwinghamer, Communications Officer, Senate of Canada



## ORDER OF REFERENCE

Extract from the *Journals of the Senate* of Tuesday, September 23, 2014:

The Honourable Senator Andreychuk moved, seconded by the Honourable Senator Greene:

That the Standing Senate Committee on Foreign Affairs and International Trade be authorized to examine and report on: the potential for increased Canada-United States-Mexico trade and investment, including in growth areas in key resource, manufacturing and service sectors; the federal actions needed to realize any identified opportunities in these key sectors; and opportunities for deepening cooperation at the trilateral level; and

That the committee report to the Senate no later than March 31, 2015.

After debate,

The question being put on the motion, it was adopted.

Gary W. O'Brien

*Clerk of the Senate*

Extract from the *Journals of the Senate* of Wednesday, March 25, 2015:

The Honourable Senator Andreychuk moved, seconded by the Honourable Senator Greene:

That, notwithstanding the order of the Senate adopted on Tuesday, September 23, 2014, the date for the final report of the Standing Senate Committee on Foreign Affairs and International Trade in relation to its study on the potential for increased Canada-United States-Mexico trade and investment, including in growth areas in key resource, manufacturing and service sectors; the federal actions needed to realize any identified opportunities in these key sectors; and opportunities for deepening cooperation at the trilateral level be extended from March 31, 2015, to September 30, 2015.

After debate,

The question being put on the motion, it was adopted.

Charles Robert

*Clerk of the Senate*



# RECOMMENDATIONS

## RECOMMENDATION 1

**Recognizing that Mexico is not merely our “other” NAFTA partner, but rather of fundamental importance to our relations bilaterally and with neighbours across the Western Hemisphere, the Committee recommends that the Government of Canada pursue closer ties and engage strategically with Mexico on issues of mutual concern, such as those affecting the movement of goods and services in North America, North American competitiveness, and advocacy of North American positions in international fora.**

## RECOMMENDATION 2

**The Government of Canada place a high priority on energy sector opportunities in Mexico and undertake to engage with Canadian businesses and associations with a view to exploring and connecting with key Mexican counterparts and potential partners.**

## RECOMMENDATION 3

**The Government of Canada leverage the benefits of international educational cooperation as set out under its International Education Strategy as a key driving force in intensifying Canada-Mexico relations, and that it:**

- a) Consider leading a high-level Canadian education and research partnership mission to Mexico, modelled on the Governor General’s successful ‘Diplomacy of Knowledge’ mission to Brazil in 2012; and,**
- b) Undertake, in particular, to engage with Canadian educational institutions equipped to contribute towards the training of Mexico’s new energy sector workforce.**
- c) Ensure that education exchanges and joint academic research projects be pursued in a manner that is reciprocal, allowing Canadian students to study and conduct research in Mexico, and Mexican students to study and conduct research in Canada;**
- d) Continue to consider, adapt and apply, as appropriate, best practices in educational exchange programming from other countries.**

#### **RECOMMENDATION 4**

**The Government of Canada explore opportunities for Canada-Mexico cooperation on governance, security and rule of law issues of mutual interest, such as law enforcement and judicial capacity building.**

#### **RECOMMENDATION 5**

**The Government of Canada build on recent announcements for easing the travel of Mexicans to Canada, and that it work with the Government of Mexico on an expedited basis to remove remaining barriers with a view towards the full elimination of the visa requirement.**

#### **RECOMMENDATION 6**

**The Government of Canada pursue, on an expedited basis, trilateral regulatory harmonization with a view to creating efficiencies in the trade of goods and services throughout North America.**

#### **RECOMMENDATION 7**

**The Government of Canada undertake concerted collaboration with the provinces and territories with a view towards leveraging all existing trade and diplomatic representation, and improving coordination with other levels of government on issues such as foreign investment facilitation, improved competitiveness frameworks, and enhanced supply chain integration between Canada, the United States and Mexico.**

#### **RECOMMENDATION 8**

**The Government of Canada maintain an effective diplomatic network in the United States and Mexico, with a particular emphasis on developing and applying innovative tools and emerging forms of engagement to leverage Canada's diplomatic network in the United States and Mexico to best respond to the needs of the business community.**

#### **RECOMMENDATION 9**

**The Government of Canada undertake to initiate the establishment of a new North American Energy Task Force, composed of a range of stakeholders in an advisory capacity to the new North American Energy Ministers' Working Group on Climate Change and Energy, and assigned with the development of a continent-wide energy cooperation and competitiveness roadmap.**

## INTRODUCTION

Canada and the United States have a natural and enduring relationship. This is evidenced not only in our strong commercial and interpersonal connections, but also in our shared positions and partnership on a broad range of issues and common challenges within North America and further abroad. Canada has also long enjoyed friendly relations with Mexico. However, geographic, linguistic and other factors have so far prevented the Canada-Mexico relationship from reaching a level of intensity comparable to that which characterizes Canada's ties with our biggest and closest neighbour.

In 1994, the largest free trade region in the world was created when the *North American Free Trade Agreement* (NAFTA) was enacted. The three NAFTA countries – Canada, the United States and Mexico – are democracies that share a continent, similar values, and trade and other linkages. If this relationship is maximized, they have undeniable potential as an economic, political and trade partnership.

Trade and investment among Canada, the United States and Mexico have increased substantially since NAFTA was implemented in 1994. In particular, trade is reportedly at least 265% larger now than it was then, and investment within the continent has increased six-fold.<sup>1</sup> Recently, the collective trade relationship was valued at more than \$1.4 trillion and the three countries' economic output accounted for more than one quarter of the world's gross domestic product.<sup>2</sup>

Those who follow the North American relationship, however, note that it is still not realizing its full potential. With the changes that have occurred in the three NAFTA countries over the last two decades, new approaches for ensuring that North America remains globally competitive are needed.

When considering these new approaches from the Canadian perspective, certain developments should be noted. In November 2013, for example, the Government of Canada released the Global Markets Action Plan, which is designed to “ensure that all the diplomatic assets of the Government of Canada are harnessed to support the pursuit of commercial success by Canadian companies and investors in key foreign markets, to generate new jobs and new opportunities for workers and families here at home.”<sup>3</sup> The Plan identifies both the United States and Mexico as priority markets for future focus. As well, in March 2015, a new export market development program was announced that will provide a total of \$50 million over five years in non-repayable contributions, with cost-matching by recipients, for entrepreneurs seeking to export to emerging

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<sup>1</sup> Prime Minister of Canada, “Joint Statement by North American Leaders,” [News release](#), 19 February 2014.

<sup>2</sup> Department of Foreign Affairs, Trade and Development, “Joint Statement by Canada, United States and Mexico on the North American Competitiveness and Innovation Conference,” [News release](#), 3 November 2014.

<sup>3</sup> Department of Foreign Affairs, Trade and Development, [Global Markets Action Plan](#).

markets for the first time.<sup>4</sup> Canada's foreign engagement efforts are also facilitated by such measures as the 2014 International Education Strategy, which is an element of the Global Markets Action Plan.

But while much attention has been devoted to exploring opportunities in emerging markets further abroad in recent years, the 20th anniversary of NAFTA led a number of analysts and commentators to reflect upon the need for new approaches to ensure continued Canadian and North American competitiveness. It was against this backdrop that the Standing Senate Committee on Foreign Affairs and International Trade (the Committee) decided that 2014 was an opportune year to analyze specific aspects of the relationship between Canada, the United States and Mexico, and to identify the manner in which opportunities might be maximized and cooperation might be strengthened in North America. Like others, the Committee has reached an essential conclusion: **the North American relationship continues to be of prime importance, but has yet to reach its full potential as an economic, political and trade partnership.**

The present report builds on the Committee's ongoing efforts to identify foreign economic and political opportunities for Canada, and to make recommendations designed to take full advantage of them. The study was not intended to be exhaustive, but rather to highlight the current views of selected experts and stakeholders about the various dynamics through which the three countries that make up North America interact.

Between September and December 2014, the Committee held eight meetings with business representatives, current and former government officials, think tank representatives and academics. During those meetings, the Committee was focused on the following issues: the changing economic and social conditions in Mexico; the potential for increased Canada–United States–Mexico trade and investment, including in growth areas in key resource, manufacturing and services sectors; the federal actions needed to realize any identified opportunities in these sectors; and opportunities for deepening cooperation at the trilateral level.

During the hearings, it became clear to the Committee that Canada's relationship with Mexico should be an important focus in the future even as we continue to build on our existing relationship with the United States. As well, the Committee believes that an improved Canada–Mexico relationship would enable more meaningful engagement among all three NAFTA countries.

This report presents the views of witnesses and, from the Committee's parliamentary perspective, makes recommendations that – once implemented – will assist Canada in maximizing opportunities and strengthening cooperation within North America. Chapter One provides a brief retrospective on the foundations of the relationship among Canada, the United

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<sup>4</sup> Prime Minister of Canada, "PM announces support to open new markets for small and medium-sized businesses," [Speeches](#), 18 March 2015.

States and Mexico, while Chapter Two focuses on what the Committee believes could be an important focus of future efforts to maximize opportunities for Canada: our relationship with Mexico. Recognizing the past, present and – no doubt – future importance of the United States to Canada, Chapter Three explores aspects of the relationship that Canada and Mexico have with the United States, our common neighbour, while Chapter Four identifies additional actions that might be needed as the three countries work toward a new North American relationship.

**Bilateral North American Exports, Various Years (millions US\$)**

	Merchandise		Services	
	1994	2014	1999	2013
Canada to the United States	134,195.8 <sup>1</sup>	364,959.1 <sup>1</sup>	21,634.5 <sup>3</sup>	49,987.4 <sup>3</sup>
United States to Canada	114,438.6 <sup>2</sup>	312,420.8 <sup>2</sup>	22,868.0 <sup>3</sup>	63,281.0 <sup>3</sup>
Canada to Mexico	793.2 <sup>1</sup>	4,985.1 <sup>1</sup>	247.7 <sup>3</sup>	987.6 <sup>3</sup>
Mexico to Canada	3,313.0 <sup>1</sup>	26,103.8 <sup>1</sup>	486.0 <sup>3</sup>	2,318.9 <sup>3</sup>
United States to Mexico	50,843.5 <sup>2</sup>	240,248.7 <sup>2</sup>	14,174.0 <sup>3</sup>	29,855.0 <sup>3</sup>
Mexico to the United States	49,493.7 <sup>2</sup>	294,074.1 <sup>2</sup>	9,688.0 <sup>3</sup>	17,766.0 <sup>3</sup>

Notes: Merchandise trade data were calculated on a customs basis; services trade data were calculated on a balance-of-payments basis. U.S. data for bilateral trade in services are not available before 1999 and 2013 is the most recent year for which data are available. Regarding services, Canadian and U.S. export data are used; Canadian and U.S. data on imports from Mexico are used for that country’s exports to Canada and the United States. Finally, note that – for example – the value of Canadian exports to the United States and the value of U.S. imports from Canada are different, as separate data sources are used.

Sources: For <sup>1</sup>, see: Industry Canada, [Trade Data Online](#) (accessed 3 June 2015); for <sup>2</sup>, see: U.S. Census Bureau, [Foreign Trade](#) (accessed 3 June 2015); and for <sup>3</sup>, see: OECDiLibrary, [OECD Statistics on International Trade in Services, EBOPS 2010](#) (accessed 3 June 2015).

### Bilateral North American Imports, Various Years (millions US\$)

	Merchandise		Services	
	1994	2014	1999	2013
Canada from the United States	100,550.0 <sup>1</sup>	251,689.7 <sup>1</sup>	22,868.0 <sup>3</sup>	63,281.0 <sup>3</sup>
United States from Canada	128,405.9 <sup>2</sup>	347,798.0 <sup>2</sup>	21,634.5 <sup>3</sup>	49,987.4 <sup>3</sup>
Canada from Mexico	3,313.0 <sup>1</sup>	26,103.8 <sup>1</sup>	486.0 <sup>3</sup>	2,318.9 <sup>3</sup>
Mexico from Canada	793.2 <sup>1</sup>	4,985.1 <sup>1</sup>	247.7 <sup>3</sup>	987.6 <sup>3</sup>
United States from Mexico	49,493.7 <sup>2</sup>	294,074.1 <sup>2</sup>	9,688.0 <sup>3</sup>	17,766.0 <sup>3</sup>
Mexico from the United States	50,843.5 <sup>2</sup>	240,248.7 <sup>2</sup>	14,174.0 <sup>3</sup>	29,855.0 <sup>3</sup>

Notes: Merchandise trade data were calculated on a customs basis; services trade data were calculated on a balance-of-payments basis. U.S. data for bilateral trade in services are not available before 1999 and 2013 is the most recent year for which data are available. Regarding services, Canadian and U.S. import data are used; Canadian and U.S. data on exports to Mexico are used for that country's imports from Canada and the United States. Finally, note that – for example – the value of Canadian exports to the United States and the value of U.S. imports from Canada are different, as separate data sources are used.

Sources: For <sup>1</sup>, see: Industry Canada, [Trade Data Online](#) (accessed 3 June 2015); for <sup>2</sup>, see: U.S. Census Bureau, [Foreign Trade](#) (accessed 3 June 2015); and for <sup>3</sup>, see: OECDiLibrary, [OECD Statistics on International Trade in Services, EBOPS 2010](#) (accessed 3 June 2015).

### Bilateral North American Foreign Direct Investment, 1994 and 2013 (millions US\$)

	1994	2013
Canada to the United States	57,105.2 <sup>1</sup>	297,681.7 <sup>1</sup>
United States to Canada	75,149.0 <sup>1</sup>	331,914.0 <sup>1</sup>
Canada to Mexico	785.7 <sup>1</sup>	11,965.4 <sup>1</sup>
Mexico to Canada	129.6 <sup>1</sup>	87.4 <sup>1</sup>
United States to Mexico	16,968.0 <sup>2</sup>	101,454.0 <sup>2</sup>
Mexico to the United States	2,069.0 <sup>2</sup>	17,610.0 <sup>2</sup>

Note: Canadian foreign direct investment statistics were adjusted to U.S. dollars using the annual average noon spot exchange rate. See: Statistics Canada, [Table 176-0064 - Foreign exchange rates in Canadian dollars, monthly \(dollars\)](#); the data source used by Statistics Canada is the Bank of Canada. The annual rate was calculated by averaging the monthly rates in that year.

Sources: for <sup>1</sup>, see: Statistics Canada, [Table 376-0051 - International investment position, Canadian direct investment abroad and foreign direct investment in Canada, by country, annual \(dollars\)](#), CANSIM (database)(accessed 3 June 2015); and for <sup>2</sup>, see: U.S. Bureau of Economic



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Statistics, [\*Balance of Payments and Direct Foreign Investment Position Data, U.S. Direct Investment Abroad on a Historical-Cost Basis\*](#) (accessed 3 June 2015).



## CHAPTER ONE – NORTH AMERICAN TRILATERAL RELATIONS: A RETROSPECTIVE

***“[T]he manner in which we approach and manage our shared North American borders clearly is key to the competitiveness of North America.”***  
***Eric Lee, North American Research Partnership***

Some of the agreements, initiatives and plans that form the foundation of the North American economic relationship were mentioned by witnesses as context for their comments. These include NAFTA, and various measures enacted following the terrorist attacks of 11 September 2001, which changed – in fundamental and ongoing ways – the manner in which the United States interacts with its North American neighbours.

### A. Establishing a trilateral trade arrangement

Despite the establishment of diplomatic and some other linkages with Mexico, Canada’s early North American efforts were primarily directed at strengthening the country’s link to the United States. Certainly, one example of such a focus was the negotiation of Canada’s first free trade agreement: the *Canada–United States Free Trade Agreement*, which came into force on 1 January 1989.<sup>5</sup>

Canada’s focus on Mexico grew with NAFTA, negotiations towards which had started between the United States and Mexico before Canada aggressively pursued inclusion. The result was a North American agreement that essentially subsumed the *Canada–United States Free Trade Agreement*. As noted in the Introduction, NAFTA has had positive impacts on trilateral trade and investment, with significant growth in both areas. However, the Committee believes that the vision set out under NAFTA has yet to be fully realized. It is partially for this reason that the Committee’s focus in Chapter Four is on the actions required to maximize the opportunities of a new North America.

The Committee notes that, since NAFTA, each of the three countries has entered into a number of other trade and investment agreements with other countries or regions, and that the three countries are currently participating in the Trans-Pacific Partnership negotiations.<sup>6</sup> As well,

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<sup>5</sup> For information on the Canada–United States Free Trade Agreement, see: Department of Foreign Affairs, Trade and Development, [Canada-U.S. Free Trade Agreement \(FTA\)](#).

<sup>6</sup> For information on other countries with which Canada has trade agreements, see: Department of Foreign Affairs, Trade and Development, [Negotiations and Agreements by Country](#). Information on the United States’ other trading partners can be found at: U.S. Department of Commerce, [Free Trade Agreements](#). For a list of other countries with which Mexico has trade agreements, see: Organization of American States, [Information on Mexico](#). Finally, information on the Trans-Pacific Partnership negotiations is available at: Department of Foreign Affairs, Trade and Development, [Trans-Pacific Partnership \(TPP\) Free Trade Negotiations](#).

although Mexico is the only North American country participating in the Pacific Alliance negotiations, both Canada and the United States have observer status. Canada has free trade agreements with four of the Pacific Alliance countries.<sup>7</sup>

## B. “Thickening borders”

The terrorist attacks of 11 September 2001 had profound effects throughout the world, but most notably in the United States. This brought about both immediate and long-lasting consequences for Canada and Mexico, the two countries with which the United States shares a border.

Following the terrorist attacks, the United States’ borders with Canada and Mexico “thickened,” with negative impacts on the ease with which goods and people cross those borders. According to the Hudson Institute’s Chris Sands the “border barriers clawed back market access for Canadians and Mexicans to the United States market – market access [that had been] negotiated ... with NAFTA and the Canada-U.S. Free Trade Agreement but [was now conditional] on ... meeting new security agreements.”<sup>8</sup>

In December 2001, Canada and the United States concluded the Smart Border Declaration and Action Plan, which included action items focused on four areas: the secure flow of people; the secure flow of goods; secure infrastructure; and coordination and information sharing.<sup>9</sup> Within months, the United States and Mexico had concluded the U.S.–Mexico Border Partnership Agreement, which had similar objectives.<sup>10</sup>

With a continuing focus on security and a desire to enhance prosperity, in 2005, the NAFTA countries established the Security and Prosperity Partnership of North America that included annual meetings of the three leaders and trilateral working groups.<sup>11</sup> After this initiative ended in 2009, “dual bilateralism” tended to predominate, with Canada and Mexico each focusing on its bilateral relationship with the United States, and to a lesser degree with each other. However, some trilateral efforts have continued, such as the North American Leaders’ Summit. This summit, the next of which is expected to be hosted by Canada, has become the most visible indication of trilateral cooperation in North America.

Most recently, dual bilateralism has manifested itself in the Beyond the Border and Regulatory Cooperation Council initiatives that were announced by Canada and the United States in

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<sup>7</sup> For information on the Pacific Alliance, see: Alianza del Pacifico, [The Pacific Alliance](#).

<sup>8</sup> Standing Senate Committee on Foreign Affairs and International Trade [SCFAIT], Chris Sands, 41<sup>st</sup> Parliament, Second Session [41:2], Issue no. 15, [25 September 2014](#).

<sup>9</sup> For information on the Smart Border Declaration and Action Plan, see: U.S. Department of State, [U.S.-Canada Smart Border/30 Point Action Plan Update](#).

<sup>10</sup> Information on the U.S.–Mexico Partnership Agreement is available at: U.S. Department of State, [Smart Border: 22 Point Agreement – U.S.-Mexico Border Partnership Action Plan](#).

<sup>11</sup> For information on the Security and Prosperity Partnership, see: Government of Canada, [About SPP](#).

February 2011.<sup>12</sup> Mexico has similar initiatives with the United States. In 2010, they established the 21<sup>st</sup> Century Border Bilateral Executive Steering Committee and the U.S.–Mexico High Level Regulatory Cooperation Council.<sup>13</sup> More recently, in 2013, they created a cabinet-level High Level Economic Dialogue to build on a range of existing bilateral mechanisms to advance certain shared strategic priorities.<sup>14</sup> Consistent with the commitment made by the three North American leaders, each country attends the bilateral meetings of the other two countries.

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<sup>12</sup> Information on the Beyond the Border initiative is available at: Government of Canada, [Beyond the Border](#). For information on the Regulatory Cooperation Council, see: Government of Canada, [Regulatory Cooperation Council](#).

<sup>13</sup> For information on the 21<sup>st</sup> Century Border Bilateral Executive Steering Committee, see: The White House, “Declaration by The Government Of The United States Of America and The Government Of The United Mexican States Concerning Twenty First Century Border Management, [Statements & Releases](#), 19 May 2010. Information on the U.S.–Mexico High Level Regulatory Cooperation Council is available at: The White House, “Joint Statement from President Barack Obama and President Felipe Calderón, [Statements and Releases](#), 19 May 2010.

<sup>14</sup> Information on the High Level Economic Dialogue is available at: U.S. Department of Commerce, [High Level Economic Dialogue](#).



## CHAPTER TWO – CANADA–MEXICO RELATIONS: GROWING POTENTIAL

***“[I]f you project forward to where we will be in 10, 20 and 30 years, all of the growth in North American trade and competitiveness will come from Mexico, [with its] youth, population growth, a growing consumer class and affordable labour that will enable us to commercialize the technologies that we develop ... in Canada. Mexico is really our future advantage.”***

***Laura Dawson, Dawson Strategic***

The year 2014 was significant for the Canada–Mexico relationship: the 70<sup>th</sup> anniversary of diplomatic relations; the 40<sup>th</sup> anniversary of the Seasonal Agricultural Workers Program; the 20<sup>th</sup> anniversary of NAFTA; and the 10<sup>th</sup> anniversary of the Canada–Mexico Partnership. As well, Prime Minister Harper made his first official bilateral visit to Mexico in February 2014, at which time a renewed Canada–Mexico Joint Action Plan and several other agreements were signed.

Witnesses repeatedly told the Committee that, among all of the developments in North America over the past 20 years, those in Mexico have perhaps been the most profound, with implications for the current and future state of relations in North America. Although Michael Hart underlined the difficulties still facing Mexico, he and other witnesses stated that the country “has made great strides over the last 20 years.”<sup>15</sup>

Notwithstanding the challenges that remain, Mexico – a country that is now Canada’s third-largest trading partner and with which Canada had bilateral merchandise trade valued at \$32 billion in 2013<sup>16</sup> – is now viewed by some as a developed country that has taken steps to open its economy and structure it for further growth.<sup>17</sup> These realities in relation to “modern Mexico” provided context for witnesses’ comments about the Canada–Mexico relationship. In particular, witnesses focused on the potential benefits of Canada–Mexico collaboration on energy issues, people-to-people ties, security and rule of law issues, and resolving the visa issue, all of which would lead to an improved bilateral relationship. Based on this testimony, which is explained in greater detail below, the Committee recommends that:

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<sup>15</sup> SCFAIT, Michael Hart, 41:2, Issue no. 15, [24 September 2014](#).

<sup>16</sup> SCFAIT, David Morrison, 41:2, Issue no. 15, [24 September 2014](#). Canada’s bilateral merchandise trade with Mexico was valued at \$34 billion in 2014. See: Global Trade Atlas (database), (accessed 4 June 2015).

<sup>17</sup> For information on Mexico’s recent structural reforms, see: Consulado de México en Calgary, [Mexican Structural Reforms and Current Priorities of the Mexican Government](#).

## RECOMMENDATION 1

**Recognizing that Mexico is not merely our “other” NAFTA partner, but rather of fundamental importance to our relations bilaterally and with neighbours across the Western Hemisphere, the Committee recommends that the Government of Canada pursue closer ties and engage strategically with Mexico on issues of mutual concern, such as those affecting the movement of goods and services in North America, North American competitiveness, and advocacy of North American positions in international fora.**

### A. Partnering on energy issues

Witnesses informed the Committee that there is significant scope for greater growth in Canada’s commercial relationship with Mexico, including in mining; financial services; infrastructure; agriculture; a number of specific manufacturing subsectors, among others. Above all, however, the Committee heard that the greatest room for growth resides in energy sector cooperation.

The Committee was informed about the role that energy has played in the history of Mexico and its economy, particularly after 1938, when foreign assets were expropriated and a state-owned company – *Petróleos Mexicanos*, or PEMEX – was created. Recent structural reforms to Mexico’s energy sector have ended long-standing government monopolies, allowing foreign investment and competition. Consequently, Mexico’s energy sector has now re-opened to private industry, creating what David Morrison, an official with the Department of Foreign Affairs, Trade and Development, characterized as “a potential game changer in that country.”<sup>18</sup> The Committee supports the view that these will be instrumental in helping Mexico grow, and could create many opportunities for Canada and Mexico to work together in a range of energy-related areas.

Opportunities and mechanisms for cooperation in energy were a primary focus for some of the Committee’s witnesses, who particularly mentioned direct participation in projects by Canadian firms, and supplying Canadian technology and expertise to Mexican energy partners. They provided a variety of examples of current cooperation and identified areas for future partnerships.

For example, François Rivest, a Department of Foreign Affairs, Trade and Development official who represents Canada in Mexico, mentioned ATCO, a Canadian company that has partnered with a Mexican company to build a power generation plant in Mexico.<sup>19</sup> Chantal Ramsay, who is the Government of Ontario’s representative in Mexico, also spoke about Canadian

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<sup>18</sup> SCFAIT, David Morrison, 41:2, Issue no. 15, [24 September 2014](#).

<sup>19</sup> SCFAIT, François Rivest, 41:2, Issue no. 20, [3 December 2014](#).



involvement in Mexico's energy sector, and noted that Ontario is considering an incoming and outgoing mission in the oil and gas sector.<sup>20</sup>

From the perspective of western Canada, the Canada West Foundation's Carlo Dade highlighted that senior Mexican officials had selected Calgary for their first foreign presentations on Mexico's energy reforms, and identified Mexican interest in particular energy sources in addition to hydrocarbons. He said that the Mexicans "talked about reform of electricity, renewables and the need for natural gas pipelines to produce electricity to make Mexican manufacturing more competitive. These are areas where Canada has a great deal of ... expertise, and ... the Mexicans have clearly indicated their interest in these services from Canada." He also stated that Mexico has signed an agreement with Alberta's energy regulator,<sup>21</sup> and Mr. Morrison indicated that Alberta will advise Mexico on the establishment of its overall energy regulatory regime.<sup>22</sup>

Carleton University's André Plourde also emphasized the importance of cooperation on energy regulatory issues, and argued that while some will see the Mexican reforms and the prospect of increased efficiency in Mexico's energy sector as a challenge to Canadian energy producers, competition is an inherent part of a market economy. According to him, "... Canadians and governments in Canada need to see this as an opportunity for expanded trade and for progress to be made on co-managing environmental issues across the continent."<sup>23</sup>

The Committee is convinced that the energy sector is an area where there is significant scope for greater collaboration between Canada and Mexico, whether through joint projects, technology transfers, the sharing of expertise, building skills or other means. Canada has a long history of production and technological development regarding energy, and the Committee believes that – in light of Canada's diverse energy sources and energy-related technologies – there are unparalleled opportunities for Canada and Mexico to become partners in energy-related endeavours. Such partnerships might be especially timely and fruitful as the structural reforms that were recently made to Mexico's energy sector begin to yield results.

In the Committee's view, the increased production of diverse energy sources in Canada and the United States, and the potential of Mexico's energy reforms, will enhance energy security in North America, thereby improving economic security, lowering energy costs, and enhancing competitiveness and prosperity. Consequently, the Committee recommends that:

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<sup>20</sup> SCFAIT, Chantal Ramsay, 41:2, Issue no. 20, [3 December 2014](#).

<sup>21</sup> SCFAIT, Carlo Dade, 41:2, Issue no. 15, [25 September 2014](#).

<sup>22</sup> SCFAIT, David Morrison, 41:2, Issue no. 15, [24 September 2014](#).

<sup>23</sup> SCFAIT, André Plourde, 41:2, Issue no. 16, [1 October 2014](#).

## RECOMMENDATION 2

**The Government of Canada place a high priority on energy sector opportunities in Mexico and undertake to engage with Canadian businesses and associations with a view to exploring and connecting with key Mexican counterparts and potential partners.**

The Committee applauds the announcement of the creation of the North American Energy Ministers' Working Group on Climate Change and Energy, and urges North American energy ministers to identify further opportunities for trilateral cooperation on pressing energy policy issues.<sup>24</sup>

### B. Getting to know each other better

A recurring theme among the witnesses during this study was the notion that Canadians and Mexicans do not know each other well enough. The Committee agrees with this assessment, and holds the opinion that all possible opportunities for Canadians and Mexicans to better know each other must be seized.

Although people-to-people linkages between Canada and Mexico have grown over the past two decades, they are still much smaller than those between Canada and the United States, or between the United States and Mexico. Clearly, there is much work that needs to be done for the benefit of both Canada and Mexico, as well as the trilateral relationship.

The Committee's witnesses made a variety of comments about the extent to which Canadians and Mexicans know each other. According to Mexico's Ambassador to Canada, His Excellency Francisco Suárez, "[a]lthough we share 20 years of North American Free Trade Agreement and 70 years of established diplomatic relations, it's clear we know very little of each other ... ."<sup>25</sup> Carlo Dade speculated that "[t]he fundamental problem we have in ... Canada is that we simply do not know Mexico. There is no centre for the study of Mexico in Canada, nor is there a policy research centre or university that has expertise on Mexico in Canada."<sup>26</sup>

The Committee heard that academic exchanges are one means by which Canadians and Mexicans can get to know each other better. The University of Ottawa's Monica Gattinger said that "it comes down to people-to-people relationships. .... If there was more in the way of academic exchange, ... we would begin to build those relationships."<sup>27</sup> Witnesses also noted the need for these ties to be reciprocal in nature. As Carleton University's Laura Macdonald put it,

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<sup>24</sup> See Government of Canada, "North American Energy Ministers Establish a Working Group on Climate Change and Energy," [News release](#), 25 May 2015.

<sup>25</sup> SCFAIT, His Excellency Francisco Suárez, 41:2, Issue no. 18, [6 November 2014](#).

<sup>26</sup> SCFAIT, Carlo Dade, 41:2, Issue no. 15, [25 September 2014](#).

<sup>27</sup> SCFAIT, Monica Gattinger, 41:2, Issue no. 16, [2 October 2014](#).

“[we] need to know more about each other. We need to bring in Mexicans to know Canada better; not just send Canadians to Mexico to learn Spanish but bring more Mexicans to study here.”<sup>28</sup>

Moreover, Paul Davidson, of the Association of Universities and Colleges of Canada, stressed that “[t]here are opportunities for increased student mobility in both directions ... and increased opportunities for taking research to scale with Mexico.”<sup>29</sup> Research was also mentioned by Mr. Plourde, who spoke about jointly developed research projects.<sup>30</sup>

The Committee noted a limited number of mechanisms that facilitate educational pursuits and other visits by young Canadians and Mexicans in the other country, but believes that greater efforts are required. In the Committee’s view, establishing sound relationships among youth and young adults will yield untold future benefits. In that context, the Committee recommends that:

### RECOMMENDATION 3

**The Government of Canada leverage the benefits of international educational cooperation as set out under its International Education Strategy as a key driving force in intensifying Canada-Mexico relations, and that it:**

- a. Consider leading a high-level Canadian education and research partnership mission to Mexico, modelled on the Governor General’s successful ‘Diplomacy of Knowledge’ mission to Brazil in 2012; and,**
- b. Undertake, in particular, to engage with Canadian educational institutions equipped to contribute towards the training of Mexico’s new energy sector workforce.**
- c. Ensure that education exchanges and joint academic research projects be pursued in a manner that is reciprocal, allowing Canadian students to study and conduct research in Mexico, and Mexican students to study and conduct research in Canada;**
- d. Continue to consider, adapt and apply, as appropriate, best practices in educational exchange programming from other countries.**

Earlier, the Committee highlighted energy partnerships between Canada and Mexico, and here the focus is people-to-people linkages and – more specifically – educational exchanges. Mr. Rivest brought these topics together in suggesting that the energy and other reforms in Mexico are leading to a shortage of skilled workers in such sectors as energy, automotive and

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<sup>28</sup> SCFAIT, Laura Macdonald, 41:2, Issue no. 16, [2 October 2014](#).

<sup>29</sup> SCFAIT, Paul Davidson, 41:2, Issue no. 20, [11 December 2014](#).

<sup>30</sup> SCFAIT, André Plourde, 41:2, Issue no. 16, [1 October 2014](#).

aerospace.<sup>31</sup> As Canada's educational institutions explore educational exchange opportunities in Mexico, the Committee encourages them to pay particular attention to Mexico's needs for individuals skilled in these areas.

### C. Working together on security and rule of law issues

Mexico's longstanding security, rule of law and corruption challenges took on a higher profile in September 2014, when it emerged that the disappearance and killing of 43 students in Iguala, in the state of Guerrero, allegedly involved collusion among corrupt politicians, police officers and criminal gangs. Large public demonstrations followed, leading to the November 2014 announcement of new proposals to address such problems.<sup>32</sup>

A number of witnesses spoke to the Committee about Mexico's security and rule of law challenges, as well as recent efforts to enact critical legal and judicial reforms. Noting the importance of these changes for supporting and creating new opportunities in Mexico's commercial and investment climate, the Committee shares the view of Ms. Macdonald, who cautioned that "it's a very slow process to switch from one legal system to another."<sup>33</sup>

In her testimony to the Committee, Ms. Macdonald suggested that Canada could assist Mexico with legal training and other issues.<sup>34</sup> Similarly, Carleton University's Jean Daudelin spoke about the recent proposals to address Mexico's security challenges. In characterizing them as "quite appealing and promising," he noted that change will not come quickly, and nor should it be rushed.<sup>35</sup> Eric Lee, of the North American Research Partnership, described Mexico as having "profound rule of law challenges," and suggested that "[m]odernizing Mexico's justice system and building law enforcement capacity, particularly at the state and local level, ... will take several more years to complete."<sup>36</sup>

The Committee believes that Canada should partner with Mexico in addressing security and related challenges as that country continues to make progress. The two countries have worked together on such issues in the past, and should do so in the future for the benefit of the North American continent. From that perspective, the Committee recommends that:

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<sup>31</sup> SCFAIT, François Rivest, 41:2, Issue no. 20, [3 December 2014](#).

<sup>32</sup> For a discussion of the reforms, see: U.S. Congressional Research Service, [Mexico: Background and U.S. Relations](#), 16 December 2014.

<sup>33</sup> SCFAIT, Laura Macdonald, 41:2, Issue no. 16, [2 October 2014](#).

<sup>34</sup> SCFAIT, Laura Macdonald, 41:2, Issue no. 16, [2 October 2014](#).

<sup>35</sup> SCFAIT, Jean Daudelin, 41:2, Issue no. 20, [10 December 2014](#).

<sup>36</sup> SCFAIT, Eric Lee, 41:2, Issue no. 16, [1 October 2014](#).

## RECOMMENDATION 4

**The Government of Canada explore opportunities for Canada–Mexico cooperation on governance, security and rule of law issues of mutual interest, such as law enforcement and judicial capacity building.**

### D. Resolving the visa issue

While it is probably inevitable that countries that interact with each other through trade, tourism and other means will disagree from time to time, the Committee – like a number of the witnesses – believes that one irritant between Mexico and Canada overwhelms all others: Canada’s requirement that Mexican nationals have a visa to visit Canada.

In 2009, Canada announced that Mexican nationals would henceforth require a visa to visit Canada. The Committee notes that, as of 2014, Mexicans were eligible for a multiple-entry visa, which allows visitors to enter and exit Canada for six months at a time for up to 10 years, that three programs – the Business Express Program, the Travel Express Program and the Student Pilot Program – facilitated visas for business and other low-risk applicants, and that the CAN+ program announced in that year allowed streamlined and expedited visas for Mexicans who had travelled to Canada or the United States in the past 10 years.<sup>37</sup>

**As well, the Committee welcomes the 2015 federal budget’s announcement that, beginning in 2016, several categories of Mexican travellers using an Electronic Travel Authorization System will be exempt from the need for a Canadian visa.<sup>38</sup> However, the Committee views the announcement as a starting point only, and stresses the need for the Government of Canada to continue to work with the Government of Mexico to address all outstanding visa issues.**

The Committee’s witnesses characterized the visa requirement and associated process as “long, arduous and humiliating,”<sup>39</sup> as “poisoning the political relationship between Canada and Mexico,”<sup>40</sup> as “a massive symbolic obstacle to forming and developing better relations,”<sup>41</sup> as “a silly hassle”<sup>42</sup> and as “the one irritant in an otherwise sound and growing relationship.”<sup>43</sup> His Excellency Francisco Suárez said that the visa issue harms the bilateral relationship and negatively affects business and tourism. While not agreeing that all of Canada’s arguments

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<sup>37</sup> For information on the three programs, see: Government of Canada, [Business Express Program, Travel Express Program and Student Pilot Program](#). Information on the CAN+ program is available at: Department of Citizenship and Immigration, “CAN+ program to facilitate trade and travel with Mexico,” [News releases](#), 12 May 2014.

<sup>38</sup> For information about the 2015 federal budget announcement, see: Department of Finance, “[Strong Leadership: A Balanced-Budget, Low-Tax Plan for Jobs, Growth and Security](#).”

<sup>39</sup> SCFAIT, Colin Robertson, 41:2, Issue no. 15, [25 September 2014](#).

<sup>40</sup> SCFAIT, Jean Daudelin, 41:2, Issue no. 20, [10 December 2014](#).

<sup>41</sup> SCFAIT, Jean Daudelin, 41:2, Issue no. 20, [10 December 2014](#).

<sup>42</sup> SCFAIT, Derek Burney, 41:2, Issue no. 20, [11 December 2014](#).

<sup>43</sup> SCFAIT, David Morrison, 41:2, Issue no. 15, [24 September 2014](#).

against eliminating visas for Mexican visitors are legitimate, he said that Mexico is working to address those that are seen as valid.<sup>44</sup>

Dawson Strategic's Laura Dawson indicated that while the number of Mexicans who are denied entry into Canada is not high in absolute terms, "it is the emblematic or psychological barrier that [the visa requirement] creates."<sup>45</sup> Notwithstanding federal actions to expedite visas for Mexicans, and the 2015 budget announcement, Eric Miller – of the Canadian Council of Chief Executives – suggested that "[t]he single best thing that the federal government could do to improve Canada's economic linkages with Mexico is to establish a path to eliminate the visa [requirement]."<sup>46</sup> In the Committee's view, the visa requirement is a major irritant in a relationship that is important for Canada's future growth and prosperity, and arguments supporting a continued requirement for Mexicans visitors to Canada to have a visa have not been articulated clearly enough. For that reason, the Committee recommends that:

## RECOMMENDATION 5

**The Government of Canada build on recent announcements for easing the travel of Mexicans to Canada, and that it work with the Government of Mexico on an expedited basis to remove remaining barriers with a view towards the full elimination of the visa requirement.**

### E. Benefitting from an improved relationship

While Mexico continues to have challenges in certain areas, the country's recent reform efforts should be acknowledged and supported as it continues its work focused on growth, security and other issues. The Committee is particularly encouraged by Mexico's reform efforts in two areas that are important for the Canada–Mexico relationship of the future: energy and education.

In the Committee's view, there is significant untapped potential in the Canada–Mexico relationship, and building that relationship further – economically, diplomatically and in other respects – must be a priority, especially as Mexico is undertaking reforms and has a growing middle class, and a youthful and increasingly well educated population. As the two countries cooperate and collaborate in an ever-increasing range of areas, there will be gains for both countries.

For example, Mr. Sands told the Committee that the benefit for Canada of a better bilateral relationship could be a return to a model where the three North American countries are more

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<sup>44</sup> SCFAIT, His Excellency, Francisco Suárez, 41:2, Issue no. 18, [6 November 2014](#).

<sup>45</sup> SCFAIT, Laura Dawson, 41:2, Issue no. 15, [24 September 2014](#).

<sup>46</sup> SCFAIT, Eric Miller, 41:2, Issue no. 15, [25 September 2014](#).

equal partners and the countries work on North American issues together.<sup>47</sup> According to Mr. Rivest, while Mexico is already an important partner for Canada because of NAFTA and the country's location, Canada has "an opportunity to help Mexico and to benefit from the growth it will enjoy in the coming years" as Mexico "rises to become globally competitive."<sup>48</sup>

As an improved Canada–Mexico relationship is in Canada's strategic best interest, and would also benefit Mexico and – probably – the North American continent, the Committee is of the opinion that concerted efforts must be directed to this end. In part, the positive outcomes of such a focus may be improved collaboration between Canada and Mexico as the two countries interact with the neighbour that they have in common: the United States.

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<sup>47</sup> SCFAIT, Chris Sands, 41:2, Issue no. 15, [25 September 2014](#).

<sup>48</sup> SCFAIT, François Rivest, 41:2, Issue no. 20, [3 December 2014](#).





## CHAPTER THREE – THE UNITED STATES: A NEIGHBOUR IN COMMON

*“The NAFTA model of a sort of equilateral triangle where three sovereign countries partner to govern the political economy together as peers has become an isosceles triangle, with the U.S. at the pinnacle of two very long, deep relationships with Canada and Mexico....”*  
*Chris Sands, Hudson Institute*

Canada’s long, valued and multi-faceted relationship with the United States spans decades. Canada shares 13 land and water borders with U.S. states. On average, more than \$1.4 million in goods and services trade occurs every minute of every day. An estimated 300,000 people cross the shared border daily. Countless family relationships and friendships exist across the 49<sup>th</sup> parallel.<sup>49</sup> The two countries have economies that are integrated at many levels, and they share many common domestic and international goals.

Similar comments can be made about Mexico’s relationship with the United States.<sup>50</sup>

Consistent with the comments made in Chapter Two, and recognizing that both Canada and Mexico are the United States’ neighbours, the Committee believes that there are areas where each country will work individually with the United States in a model of dual bilateralism, while trilateralism – which is a focus in Chapter Five – is more appropriate in other areas. In this context, the witnesses commented on Canada’s continuing relationship with the United States, although opportunities for Canada and Mexico to work together in relation to the United States were also briefly mentioned.

### A. Continuing Canada’s relationship with the United States

As noted in Chapter Two, Canada’s federal government has supported the Canada–U.S. relationship through such initiatives as the *Canada–United States Free Trade Agreement*, the 2001 Smart Border Declaration and Action Plan, and the 2011 Beyond the Border and Regulatory Cooperation Council initiatives. Mexico has similar initiatives with the United States.

The Committee notes that, regardless of diplomatic, trade and other efforts that Canada directs elsewhere in the world, the United States will always be important as an ally and trading partner, and is likely to continue to have the largest gross domestic product on the continent. Witnesses stated that, even as Canada pursues opportunities in other regions, attention must be paid to the

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<sup>49</sup> For information on the Canada–United States relationship, see: Government of Canada, [Canada-U.S. Relations](#).

<sup>50</sup> Information on the U.S.–Mexico relationship is available at: U.S. Department of State, [U.S. Relations With Mexico](#).

United States and the focus should be the next U.S. administration. For example, Norton Rose Fulbright Canada LLP’s Derek Burney emphasized that **Canada must remain attentive to the United States even as it increases its presence in the Asia-Pacific region.**<sup>51</sup> The Committee supports such an approach, as evidenced by its concurrent study on the Asia-Pacific region.

Mr. Burney explained that significant political and economic changes have occurred in the United States over the past decade, and have affected the day-to-day workings of the U.S. government and its approach to Canada–U.S. issues,<sup>52</sup> while Mr. Morrison mentioned the importance of vigilance in responding to trade restrictions and proactivity in advocating economic integration. He also said that, beyond advocacy, opportunities can be realized by pressing ahead forcefully on the Beyond the Border and Regulatory Cooperation Council initiatives.<sup>53</sup> The Committee realizes that one expected benefit of these initiatives is reduced costs, which were welcome by Derek Burleton of the TD Bank Group. He indicated that, “[w]hen you have a very deep trade relationship, any kind of incremental improvement in lowering costs and delays at the border can have fairly sizable advantages.”<sup>54</sup>

While the vast majority of trade between Canada and the United States occurs without incident, disputes have a disproportionate impact on certain sectors and regions of the country, as well as collateral effects. For example, in the Committee’s view, it is likely that some significant irritants in recent years – uncertainty about the construction of the Keystone XL pipeline, “Buy American” provisions in U.S. legislation, and issues in relation to the new Detroit, Michigan–Windsor, Ontario crossing, among others – have had negative effects on the relationship, and that future irritants could continue to do so. The Committee believes that mechanisms to resolve irritants as quickly as possible must be used to avoid unnecessary delays and other costs. Certainly, Canada’s diplomatic efforts, relationships among legislators in Canada and the United States, and work undertaken in the context of such initiatives as Beyond the Border and the Regulatory Cooperation Council are valuable, and should be optimized.

The Committee supports the view that enhanced competitiveness leads to greater prosperity, and that greater prosperity enables a higher standard of living and quality of life. Certainly, these are the types of outcomes that countries worldwide are seeking. In the Committee’s opinion, with their focus on such matters as the shared border and regulatory issues, the Beyond the Border and Regulatory Cooperation Council initiatives that are currently under way between Canada and the United States are enhancing competitiveness and, in light of North American integration, are perhaps having positive results for Mexico too. In that context, the Committee is hopeful that the counterpart initiatives between the United States and Mexico are having beneficial impacts on Canada.

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<sup>51</sup> SCFAIT, Derek Burney, 41:2, Issue no. 20, [11 December 2014](#).

<sup>52</sup> SCFAIT, Derek Burney, 41:2, Issue no. 20, [11 December 2014](#).

<sup>53</sup> SCFAIT, David Morrison, 41:2, Issue no. 15, [24 September 2014](#).

<sup>54</sup> SCFAIT, Derek Burleton, 41:2, Issue no. 20, [11 December 2014](#).

Although bilateral mechanisms have certain value, there are areas where trilateral cooperation would yield better results. Regulatory harmonization, in particular, was noted as an area requiring urgent attention, in which the present use of different forms and modalities for shipments of goods and services across the Canada-U.S. and U.S.-Mexico borders are causing costly efficiency losses. For these reasons, the Committee recommends that:

## RECOMMENDATION 6

**The Government of Canada pursue, on an expedited basis, trilateral regulatory harmonization with a view to creating efficiencies in the trade of goods and services throughout North America.**

### B. Collaborative approaches to the United States

In 2014, the United States was the largest trading partner for Canada and for Mexico. As well, the United States will continue to have the largest gross domestic product on the continent. Undoubtedly, Canada and Mexico have a natural affinity because of their geographical proximity to – and reliance on – the United States, and can work together in relation to that country. Mr. Sands made essentially this point when saying that, like Canada, Mexico is “also trapped next to a gorilla of a neighbour who doesn’t pay attention or understand them particularly well.”<sup>55</sup>

Although most of the trade between the United States and its North American neighbours occurs without disputes, there have been some significant irritants in recent years that have affected both of the United States’ neighbours. From the Committee’s perspective, one timely example is the United States’ country-of-origin labelling requirements. With the World Trade Organization ruling against the United States for a fourth time on 18 May 2015, it is notable that Canada and Mexico worked together in bringing this case to the World Trade Organization.<sup>56</sup> Mr. Dade characterized Mexico as Canada’s best ally in Washington on this issue.<sup>57</sup>

Although the issue of trilateralism is discussed more fully in Chapter Five, the Committee believes that it is important to note here that some witnesses supported increased trilateral inter-parliamentary cooperation among Canadian, American and Mexican parliamentarians. **In the Committee’s view, working meetings of parliamentarians from all three countries would allow Canada and Mexico to work jointly on issues of mutual interest, and engage more meaningfully together with the United States.** According to Colin Robertson, of the Canadian Defence and Foreign Affairs Institute, “[this cooperation] would give us a much better chance of

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<sup>55</sup> SCFAIT, Chris Sands, 41:2, Issue no. 15, [25 September 2014](#).

<sup>56</sup> For a discussion of the World Trade Organization’s rulings in relation to the United States’ country-of-origin labelling requirements, see: Department of Agriculture and Agri-food, “Ministers Ritz and Fast Stand Firm with Canadian Industry Against U.S. Country of Origin Labelling (COOL),” [News release](#), 19 May 2015.

<sup>57</sup> SCFAIT, Carlo Dade, 41:2, Issue no. 15, [25 September 2014](#).

sustaining attention from U.S. senators and members of Congress, and with our Mexican colleagues we could put pressure on the U.S. to deal with shared interests.”<sup>58</sup>

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<sup>58</sup> SCFAIT, Colin Robertson, 41:2, Issue no. 15, [25 September 2014](#).

## CHAPTER FOUR – TOWARDS A NEW NORTH AMERICAN RELATIONSHIP

***“In 2015, we must start a new stage for a dynamic and competitive North America, with a long-term vision sustained by three strong bilateral ties and with a view towards reinforcing the trilateral relationship.”***

***His Excellency Francisco Suárez, Mexico’s Ambassador to Canada***

While dual bilateralism is appropriate in some circumstances, trilateral efforts in certain cases would contribute to the North American competitiveness and prosperity that all three countries seek. The Committee believes that three-country trusted traveller and trusted trade programs, high-quality infrastructure to support North American supply chains, and harmonized regulations, where appropriate, are among the areas where trilateral efforts would be the most useful. Collectively, the three countries have certain advantages, including abundant and diverse sources of energy, leading-edge technology and innovation, and a well-educated workforce. Trilateral efforts would help to maximize those advantages.

In the Committee’s view, there is significant potential for further Canada–United States–Mexico cooperation, especially through new and innovative approaches to North American engagement. At a time of increased competition and regionalism elsewhere in the world, further and deeper cooperation within the North American continent is needed for the benefit of residents and businesses in all three countries. Towards this end, the Committee believes that the efforts of Canada’s federal government could be augmented through more concerted collaboration with the efforts of other levels of government in Canada to promote greater North American cooperation and competitiveness. As well, pursuing initiatives trilaterally where it is advantageous to do so and bilaterally in other cases, representing Canada effectively in the United States and Mexico, and partnering trilaterally on energy issues are among the approaches that are needed for a prosperous North America.

### A. Involving other levels of government

According to the Committee’s witnesses, actions are needed to ensure or enhance North American competitiveness, including foreign investment, further integration, a competitive framework and efforts to improve supply chains. In focusing on North American competitiveness, Pierre Pyun, of Bombardier Inc., said that “North America ... cannot rest on its laurels ... as the world’s largest and the most desirable marketplace ... . Other regions ... have been enhancing their ability to attract investments in various sectors.”<sup>59</sup> Mr. Miller provided a

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<sup>59</sup> SCFAIT, Pierre Pyun, 41:2, Issue no. 18, [6 November 2014](#).

number of specific suggestions for increasing North American competitiveness, and commented that “[t]he supply chains that underpin the North American neighbourhood have created significant wealth over the last 20 years, but we have significant work to do if we are to continue this in the future.”<sup>60</sup>

The NAFTA countries are federations, with the result that subnational governments – in addition to national governments – have played a role, and should continue to play a role, in deepening cooperation on the continent. The Committee is aware of the links that exist between Canadian provinces and territories and U.S. states, and of the connections that have been growing between Canadian provinces and territories and Mexican states. The Committee is not alone in believing that subnational governments have a critical role to play in helping Canada realize its goals in North America. In particular, Mr. Dade encouraged the involvement of subnational governments in North American relations,<sup>61</sup> while Ms. Gattinger provided a specific example of subnational cooperation, characterizing collaboration on climate change at this level as “quite heartening.”<sup>62</sup>

Chantal Ramsay, who represents the Province of Ontario in Mexico, reminded the Committee that several provinces have established presences in the United States and Mexico, thereby providing both levels of government with valuable opportunities to work together to advance Canadian interests. From that perspective, the Committee recommends that:

## RECOMMENDATION 7

**The Government of Canada undertake concerted collaboration with the provinces and territories with a view towards leveraging all existing trade and diplomatic representation, and improving coordination with other levels of government on issues such as foreign investment facilitation, improved competitiveness frameworks, and enhanced supply chain integration between Canada, the United States and Mexico.**

### B. Pursuing Bilateral and Trilateral Initiatives

Several of the Committee’s witnesses shared their views about whether initiatives should be pursued on a trilateral or dual-bilateral basis. Mr. Miller characterized the debate as a “false choice” and advocated the principle of subsidiarity in saying that “the countries of North America will do what makes sense at the level at which it is sensible to do it.”<sup>63</sup> Meanwhile, the Committee notes that it is possible for measures that begin bilaterally to become trilateral. This

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<sup>60</sup> SCFAIT, Eric Miller, 41:2, Issue no. 15, [25 September 2014](#).

<sup>61</sup> SCFAIT, Carlo Dade, 41:2, Issue no. 15, [25 September 2014](#).

<sup>62</sup> SCFAIT, Monica Gattinger, 41:2, Issue no. 16, [2 October 2014](#).

<sup>63</sup> SCFAIT, Eric Miller, 41:2, Issue no. 15, [25 September 2014](#).

point was made by Mr. Morrison, who stated that “[s]ome issues you can start bilaterally and then trilateralize them; some issues lend themselves initially to trilateral cooperation.”<sup>64</sup>

Nevertheless, it is important for Canada to consider the advantages of a trilateral approach where possible. In the view of Ms. Dawson, “[a]s Canadians, we need to promote trilateralism as a way to get [Canada’s] voice heard in the United States.”<sup>65</sup> One need only consider the integrated supply chains that exist throughout North America to realize the importance of cooperation at the trilateral level. Mr. Morrison was among those who spoke about these supply chains. According to him, “[w]hile Canada, Mexico and the United States used to trade with each other, it is much more common today to talk about how they make things together. ... [The] notion of a North American production platform with regionally integrated supply chains across sectors from auto to aerospace to electronics is generally how we speak now of North America. ... [This] platform has turned [the] countries into partners, even as [they] regularly compete against one another. ....”<sup>66</sup>

The Committee underscores that the governments of Canada, the United States and Mexico have long recognized the importance of their diplomatic, trade and other relations with their closest neighbours, and have developed consultative and other mechanisms. The Committee made reference to a number of these mechanisms in Chapter Two. While early efforts were directed at strengthening bilateral linkages, largely between Canada and the United States, the trilateral relationship has been a more recent focus and one that – in addition to a stronger emphasis on the Canada–Mexico relationship – must be nurtured in the future.

### C. Representing Canada in the United States and Mexico

The Committee supports the need for – and myriad benefits of – effective Canadian representation in foreign countries, including in the United States and Mexico. Having commented on Canada’s diplomatic efforts in a number of previous studies, the Committee acknowledges the truly invaluable role that these governmental representatives can play in advancing Canada’s interests and helping Canadians abroad.

In addition to its embassy in Washington, D.C., Canada has 13 Consulates General and three trade offices across the United States, as well as a number of honorary consuls. Canada’s representation in Mexico comprises an embassy and two Consulates General, as well as a number of consular agencies. As well, Export Development Canada has a five-person team in that country. As noted earlier, the provinces also have offices in selected locations in the United States and Mexico.

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<sup>64</sup> SCFAIT, David Morrison, 41:2, Issue no. 15, [24 September 2014](#).

<sup>65</sup> SCFAIT, Laura Dawson, 41:2, Issue no. 15, [24 September 2014](#).

<sup>66</sup> SCFAIT, David Morrison, 41:2, Issue no. 15, [24 September 2014](#).

A number of the Committee’s witnesses commented on the importance of Canadian representation in the United States. According to Mr. Miller, the scale of the United States and the separation of powers mean that, in order to be effective, Canada needs “an adequately resourced network of representatives throughout the country. They develop a lot of trade leads and ... counteract a lot of protectionist proposals, so this boots-on-the-ground idea is something that is very significant.”<sup>67</sup> Mr. Lee suggested that both Canada and Mexico “need to enhance their trade diplomacy and outreach in the U.S. in a significant way,” and characterized the Canadian consulates as “truly important local partners.”<sup>68</sup> Finally, Mr. Robertson proposed that Canada “should have a representative in each U.S. state to act as our ears, eyes and, when necessary, our mouths to make the Canadian case.” In his opinion, Canada should “do diplomacy differently and cost-effectively,” including by building on the network of Canadians living in the United States.<sup>69</sup>

Canada must engage meaningfully with the United States and Mexico if Canada’s economic, trade, security and other priorities are to be realized. This type of engagement requires Canada’s foreign representatives – including trade commissioners – to respond to business’ needs following approaches that maximize the advantages of available technologies and new forms of engagement. For these reasons, the Committee recommends that:

## RECOMMENDATION 8

**The Government of Canada maintain an effective diplomatic network in the United States and Mexico, with a particular emphasis on developing and applying innovative tools and emerging forms of engagement to leverage Canada’s diplomatic network in the United States and Mexico to best respond to the needs of the business community.**

In addition to engagement through Canada’s diplomatic network, the Committee supports other mechanisms that bring Canadian, American and Mexican leaders and legislators together. These mechanisms include the North American Leaders’ Summits and meetings of ministers who have similar responsibilities, as well as annual meetings of the Canada–United States Inter-Parliamentary Group, the Canada–Mexico Inter-Parliamentary Group and the Canada–United States–Mexico Inter-Parliamentary Group, the latter of which held its inaugural meeting in December 2014. As well, the Committee notes the inaugural meeting of North American governors and premiers that is expected to take place in October 2015. In the Committee’s view, meetings such as these are instrumental in establishing the political will and legislative focus that will help Canada, as well as the United States and Mexico, attain individual and shared goals.

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<sup>67</sup> SCFAIT, Eric Miller, 41:2, Issue no. 15, [25 September 2014](#).

<sup>68</sup> SCFAIT, Eric Lee, 41:2, Issue no. 16, [1 October 2014](#).

<sup>69</sup> SCFAIT, Colin Robertson, 41:2, Issue no. 15, [25 September 2014](#).



## D. Partnering trilaterally on energy

In Chapter Two, the Committee commented on the significant potential that exists for cooperation between Canada and Mexico on energy issues. That does not, however, preclude the important potential of a stronger trilateral relationship on energy issues. Just as Canada continues to remain the United States' most secure and reliable supplier of energy, the Committee believes that all NAFTA countries share a common energy goal: energy security for the continent.

Graham Campbell, of the Energy Council of Canada, was among the Committee's witnesses who focused on trilateral energy cooperation. He suggested that "... the energy scene is changing so rapidly at the moment. This increases the need for the three countries to share information ..." as they develop strategies in this area.<sup>70</sup>

The Committee learned about the now-defunct North American Energy Working Group from Ms. Gattinger. She commented on the "fundamental transformation of the North American energy sphere ...," and urged a focus on the "... energy architecture or energy platform we have in North America and [the] platform and architecture [that] will best serve the environmental, economic and societal needs of North Americans ... ." She supported a "new and improved" North American Energy Working Group that could prepare a new North American "energy picture document," and the creation of a broader North American energy council that "would bring together officials, industry, civil society and the academy who could begin to have some debate and discussion around what North America's energy future might look like."<sup>71</sup>

In light of these perspectives, on 25 May 2015 the Committee was encouraged to learn about the creation of the North American Energy Ministers' Working Group on Climate Change and Energy, tasked with prioritizing collaboration between Canada, the United States and Mexico towards common goals affecting the energy industry's sustainability from an economic and environmental standpoint.

In the Committee's view, trilateral efforts directed at ensuring that opportunities to facilitate North American energy security are critical and will complement emerging opportunities for closer Canada–Mexico energy partnerships. As was noted earlier, energy security is a key contributor to economic security, and economic security contributes to a higher quality of life and standard of living. From this perspective, the Committee recommends that:

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<sup>70</sup> SCFAIT, Graham Campbell, 41:2, Issue no. 20, [10 December 2014](#).

<sup>71</sup> SCFAIT, Monica Gattinger, 41:2, Issue no. 16, [2 October 2014](#).

## **RECOMMENDATION 9**

**The Government of Canada undertake to initiate the establishment of a new North American Energy Task Force, composed of a range of stakeholders in an advisory capacity to the new North American Energy Ministers' Working Group on Climate Change and Energy, and assigned with the development of a continent-wide energy cooperation and competitiveness roadmap.**

## CHAPTER FIVE – CONCLUSION

In recent years, the Committee has examined countries that presented economic and political opportunities for Canada, including China, India, Brazil, Turkey and – concurrently with this study of North America – a number of countries in the Asia-Pacific region. In each case, the main objective has been the same: to examine how Canada can advance its place in the world, economically, diplomatically and in other respects.

When it came into force on 1 January 1994, NAFTA created the largest free trade region in the world. While NAFTA has yielded important benefits, the Committee’s hearings clearly demonstrated that there is significant untapped potential for further Canada–U.S.–Mexico trade and investment in a range of areas. At a time of increased competition and regionalism elsewhere in the world, further and deeper cooperation within the North American continent is needed for the benefit of residents and businesses in all three countries.

It is noteworthy that Canada’s Global Markets Action Plan identifies both the United States and Mexico as priority markets for future focus. For reasons that include geographic proximity, shared values and integrated supply chains, the United States and Mexico should continue to remain priorities as Canada seeks to enhance growth and prosperity. Noting in particular the important changes that have taken place in Mexico and Canada over the past two decades, the Committee is of the opinion that special emphasis must now be given to the development of a stronger Canada–Mexico relationship. Greater strength in the Canada-Mexico relationship could help to encourage further trilateral cooperation in a range of areas and bring greater balance to the relationships that unite all three North American partners.

Achieving strengthened relations between and among the North American countries will require sustained effort and cooperation by political leaders, legislators, the private sector and others. The Committee believes that the North American Leaders’ Summits – the next of which is expected to be hosted by Canada – are valuable, and also supports increased inter-parliamentary cooperation among Canadian, American and Mexican legislators as a key aspect of future cooperation. At all levels, the relationships that are formed will enable the development of win-win-win solutions to challenges that arise, and a legislative focus on the actions that are needed to enhance North American competitiveness.

The Committee does not believe that renewed attention to North America must – or should – come at the expense of efforts to engage with other countries and regions. It must rather complement and help propel our attractiveness as an investment destination, and our global competitiveness as a trading nation. The recommendations in this report provide a guide for the Government of Canada as it continues to work towards a more prosperous Canada and North America.



## APPENDIX A – WITNESSES

<b>Meeting Date</b>	<b>Agency and Spokesperson</b>
<b>September 24, 2014</b>	<b>Foreign Affairs, Trade and Development Canada:</b>  David Morrison, Assistant Deputy Minister (Americas);  Martin Moen, Director General, North America and Investment;  Christopher Wilkie, A/Director General, North America Strategy.  <b>As individuals:</b>  Laura Dawson, President, Dawson Strategic;  Michael Hart, Simon Reisman Chair in Trade Policy, Professor of International Affairs, Norman Paterson School of International Affairs, Carleton University.
<b>September 25, 2014</b>	<b>Canadian Council of Chief Executives:</b>  Eric Miller, Vice President, Policy, Innovation and Competitiveness.  <b>As an individual:</b>  Christopher Sands, Senior Fellow, Hudson Institute.  <b>Canadian Defence and Foreign Affairs Institute:</b>  Colin Robertson, Vice President, and Fellow, School of Public Policy, University of Calgary.  <b>Canada West Foundation:</b>  Carlo Dade, Director, Centre for Trade and Investment Policy (by video conference).
<b>October 1, 2014</b>	<b>As an individual:</b>  André Plourde, Dean, Faculty of Public Affairs, Carleton University.  <b>North American Research Partnership:</b>  Erik Lee, Executive Director (by video conference).

- October 2, 2014**      **As individuals:**
- Laura Macdonald, Director, Institute of Political Economy, Carleton University;
- Monica Gattinger, Chair, Collaboratory on Energy Research and Policy, Associate Professor, School of Political Studies, University of Ottawa.
- November 6, 2014**      **Embassy of Mexico in Canada:**
- His Excellency Francisco Suárez, Ambassador.
- Bombardier Inc.:**
- Pierre Pyun, Vice-President, Government Affairs.
- December 3, 2014**      **Ministry of Economic Development, Employment and Infrastructure (Ontario):**
- Chantal Ramsay, Counsellor (Commercial — Ontario) and Ontario Government Representative in Mexico (by video conference).
- Foreign Affairs, Trade and Development Canada:**
- François Rivest, Minister Counsellor and Senior Trade Commissioner, Embassy of Canada in Mexico (by video conference).
- December 10, 2014**      **Energy Council of Canada:**
- Graham Campbell, President.
- As an individual:**
- Jean Daudelin, Associate Professor, Associate Director, The Norman Paterson School of International Affairs, Carleton University.
- December 11, 2014**      **As an individual:**
- Derek Burney, Senior Strategic Advisor, Norton Rose Fulbright Canada LLP / S.E.N.C.R.L., s.r.l.
- Association of Universities and Colleges of Canada:**

Paul Davidson, President.

**TD Bank Group:**

Derek Burleton, Vice President and Deputy Chief Economist  
(Canada) (by video conference).

