

**The Trilateral Mirage:  
A Tale of Two North-Americas**

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George Haynal, a former Assistant Deputy Minister for the Americas at Foreign Affairs, has neatly mapped North America as a system of four relationships. The first two "are organic, have historic roots and enormous power": they link the US and Canada and the US with Mexico. The third one is the relationship between Canada and Mexico, which is a work in progress. The last one is the trilateral relationship between the three countries, this is "the one that could lead to the emergence of some kind of North American Community" [SCFAIT-2002].

This paper argues that for Canada, the trilateral option should not be pursued beyond existing arrangements, essentially around NAFTA, except in an ad-hoc manner and avoiding any significant institution-building. Canada's bilateral relationship with the United States is vital and its management should not be cluttered by the massive complexity of Mexico-US affairs. Canada's relations with Mexico, for their part, are developing quickly and should be deepened, but they are and will remain marginal to the country's core interests. As such, they should be kept as separate as possible from the critically important Canada-US relationship. Arguably, and in spite of the Fox administration current infatuation with the concept, the same reasoning applies to Mexico: There is simply no sound rationale for trilateralism in North-America.

#### 1- Misperceptions of North-America: Stripping the Layers

To understand trilateralism as a foreign policy option one should put it in the broader context of the ever-shrinking geographical universe of Canada's core interests. North America is a kind of last resort for our battered internationalist dreams. Trilateral land, however, is just that, a "resort" where we can sip a *mojito* by the ocean and imagine that this is life. But it is not.

*The diehard myth of Canada as a global country*

The foreign policy establishment of this country, from academia to Fort Pearson, is profoundly internationalist. Interestingly, if not paradoxically, this internationalism is an expression of Canadian nationalism and any departure from it is perceived as some kind of slight to the Canadian identity and to the country's multicultural origins and values.

Still, there is a growing sense that Canada's effective reach in the world has been shrinking in recent years. Indeed, books, studies and articles have started to pile up that document this change. Almost all of them are of the "declinist" ilk: Canada is a "fading" power [Hilmer and Molot], the "Nation [is] at Risk" [CDAI-2002], its policy is now "isolationist" [Hay and Rioux], the country "speaks loudly and carries a bent twig" [Stairs], its diplomacy is good for "wimps" [Nossal] or reaches barely farther than the "pulpit" [Hampson and Oliver], and so on. The profound transformation of Canada's relationship with the world has in sum been framed mostly as some kind of decadence.

Andrew Cohen has just published one of the most eloquent statement of that view. For him, Canada has been sleeping since World War II, while the world changed and the country's capacity to engage it decayed precipitously. One is struck however, by a tension in his analysis. On one side, he quotes approvingly Jeffrey Simpson's quip that while "never before has the world meant more to Canada; never has Canada meant less to the world" [2] and yet, shortly after noting that trade is "the brightest face of Canada's internationalism" [109], he admits that "Canada's foreign trade isn't

so foreign. It is American." [111] And obviously, he could make the same point about investment, security, migration, and so on.

Now, this is the key point: the United States of America, not the "world," means more to Canada than ever before, and the key question becomes: How much does Canada mean to the United States?" From that standpoint, issues of decline, "wimpism" or even "power," be it small, middle or "principal," might well be moot.

Slowly, pushed by the likes of Michael Hart and William Diamond [2003], this is where the debate is moving. It is not there yet, however. There are stopovers, and trilateralism is one of them. Before we even get there, however, there is another stumbling block: the Americas as a whole.

#### *The hemisphere as the new neighbourhood?*

Since about 1988, a kind of "récit des origines" is in the making. It accepts that Canada's place in the world has been profoundly altered, but it defines the movement in continental terms: Canada's links with Europe progressively withered away since World War II and in the process, Canada has really become a part of the Americas.

The basic narrative is as follow: Starting in 1988 with the Latin American Strategy [Dosman-1992], Canada became ever more profoundly involved in hemispheric affairs. It joined the Organisation of American States (OAS) in 1989, adding to its General Secretariat the quintessentially Canadian "Unit for the Promotion of Democracy" (UPD) ever since directed by a Canadian. The Canada-US FTA was quickly followed by NAFTA and, beginning with the launch of the Free Trade Area of

the Americas (FTAA) initiative, at the 1994 Miami Summit, Canada became one of the staunchest proponents of free trade in the Americas, be it through the FTAA itself or through bilateral initiatives, with agreements already signed with Chile and Costa Rica, and others under negotiation with the Dominican Republic and Central America. Not everything is about trade, however, and the UPD was not an isolated initiative: Canada became actively involved in the promotion and defence of democracy in the continent, with intense participation in election monitoring and even direct interventions in countries in crisis, such as Lloyd Axworthy's visit to troubled Peru in 2000, where he joined the secretary-general of the OAS, César Gaviria and arguably contributed to the ultimate fall of Alberto Fujimori and to the consolidation of democracy in that country. The culmination of that involvement was obviously the Quebec Summit of the Americas, in 2001, at which the negotiation phase of the FTAA was launched and a huge parallel "People Summit" with a very significant Canadian participation testified to an hemispheric involvement that reaches much deeper than government pronouncements and trade agreements in the making.

While the facts are right, that narrative wildly exaggerates four things: 1) the importance of the continent, beyond the United States, for Canada's economic interests: the region's share of Canadian investments and trade, has basically not increased in relative terms since the 1970s; 2) the potential of the FTAA and the whole jumble of bilateral trade agreements to challenge the marginality of the continent for Canada: that process, in the end, revolves essentially around the degree of access that Brazil and its Mercosur partners will get to the US market, and the price –in terms of access to their own market—that they will pay for it; 3) the importance of Canada for the other countries of the region –except perhaps in the Anglophone Caribbean: the "Gringos from the Far North" (Ogelsby-1976), however keen –which we are—and generous –which we are not—they can be, have little

bearing on the region's real security, economic or even trade preoccupations and interests; and 4) the breadth and depth of Canada's business and civil society's commitment to the region: People Summits or Business Forums notwithstanding, public interest remains exceedingly narrow and thin, and still largely dependent on funding and support from the government and a clutch of companies and unions.

The Western hemisphere, in sum, is not much more relevant to Canada than the world as a whole is. So the "homing" mechanism needs to focus closer to home and North America is the obvious next step.

*North-America as our home?*

With the hemispheric skin peeled off, and something like North America now showing its contours, are we at last reaching the core? Well, not quite, for the North-America that trilateralists are talking about simply does not exist.

The source of the illusion is obvious: you just conflate statistics at the North American level, and brush over the specifics of the three bilateral relationships that make up the system. The result can be quite spectacular: the largest integrated energy market in the world, the largest amount of shared water resources in the world, the most intense trade relationship in the world, the most active population migration system in the world, and so on.

The problem with all these conflations is that they all stretch bilateral realities into trilateral ones without there being any justification to do so. It is as if I were saying that Bill Gates and I have the biggest combined fortune in the world: certainly correct, strictly speaking, but accurate?

The biggest integrated energy market in the world is the United States alone; add Canada and Mexico and you only make it still bigger. No water resource is shared between Canada and Mexico. The latter have no common border and they do not represent a major source of immigrants for one another. Economic relations between Canada and Mexico, finally, are still not very important, although they have grown quite significantly over recent years. And so on.

With all the fuss over NAFTA, trade and investment issues merit further discussion. Stock of Canadian investments in Mexico have exploded in recent years, from \$245 million to \$3.5 billion. In relative terms, however, this means a jump from 0.2% to 1.1% of the total stock of Canadian investments abroad, a fraction by the way of what Canadians "own" in Barbados, Bermuda and the Bahamas, for instance, the three most important location of Canadian investments in the Americas (excluding the US, obviously). Trade is the same story: Mexico came from nowhere to become Canada's sixth export destination, at \$2.7bn (2001) and its fourth source of imports, at \$12.1bn (2001). In relative terms, Mexico now represents 0.7% of Canada's exports, and 3.5% of its imports, which is not insignificant, especially if one considers that because of NAFTA, perhaps as much as half of the trade really taking place goes unreported as it transits through the US. Now, even considering this, can we really conflate under a single North-American label a relationship that represents over 85% of our trade with another one that might represent 5% of it?

The security picture is even crisper, with Canada and the United States, through NORAD, engaged in what is possibly the closest international defence arrangement in existence today and one that could well get even closer if Canada joins the National Missile Defence system, which looks likelier by the day. By comparison, Canada and

Mexico have no significant cooperation program under way and US-Mexico security relations, in addition to being much less developed, have a totally distinct flavour, with an emphasis on drug trafficking and migration issues.

And we could go on and on: Transborder environmental issues are huge in North America, but all significant ones involve the US with one of its two neighbours. Ditto immigration, border management and security, fisheries, energy, culture, and the whole list of crucial and less crucial so-called "North-American" issues.

The bilateral nature of much of the North-American agenda is reflected in the effective political management of the issues, especially, but not exclusively, in the US Congress and among governors: the interested constituencies are generally not the same ones for Canada and Mexico, even when the issues are—superficially—the same: think of who gets involved on border management or water in the case of Canada and in that of Mexico. And obviously, things get worse when the issues are different: softwood lumber, milk, culture, versus migration, border contamination and drug trafficking. Finally, in both Canada and Mexico, the US-issues constituencies massively dwarf whatever coalition there is around Canada-Mexico relations or trilateralism itself.

## 2- Trilateralism: Rationales and Dangers

These facts notwithstanding, trilateralism is now on the policy table, and some people promote it. Let's see what rationales they invoke as well as the possible consequences of Canada's accepting them. Three groups of arguments are used to support the trilateral project: shared interests deriving from a growing need to manage deepening interdependence between the three countries; instrumental

purposes, with trilateralism conceived as a tool to manage the bilateral relation with the US; and enlightened self-interest, as a preoccupation with the development gap that exists between Mexico and its two richer partners.

### *Shared interests*

From the first perspective, the three countries are progressively being brought together, and this calls for new tools to jointly handle that interdependence. While such a view finds limited support in the data available, as was just seen, it points to the NAFTA process itself as the engine of a growing integration that needs to be managed and governed. On close examination, however, even such a "weak interdependence" thesis looks highly dubious. It appears instead that NAFTA, far from consolidating *trilateral* interdependence reinforces the US-centred double bilateralism that dominates the North-American landscape: relative trade-dependence toward the US, for instance, has increased for both Canada and Mexico since 1994. The critical character of border management, both for trade and the circulation of people, once again on a double bilateral basis, has similarly increased, whereas migration from a Canada-Mexico standpoint remains a marginal issue.

The inability of NAFTA to produce greater trilateral interdependence is in fact recognized by the advocates of trilateralism themselves, such as Robert Pastor (2001) and Andres Rozental (2002), for instance, who call for the establishment of institutions not mainly to manage an already existing and problematic trilateral reality, but above all to *further build and consolidate* such a reality. From a Canadian perspective, Brian Stevenson (as quoted in SCFAIT-2002) similarly argues that the region's governments must invest in the building of a constituency for effective North-American integration, recognizing in the same movement that no such

constituency does exist now on any significant scale and that there is not, at this point, a demand or a felt need for such integration.

A striking illustration of the irrelevance of trilateralism was recently provided by Jorge Castañeda who, until recently, was Vicente Fox's Minister of Foreign Affairs and, at least in that function, a vocal proponent of North-American integration. In a piece just published by Foreign Affairs [Castañeda-2003] where he examines the US relationship with "the hemisphere", Castañeda touches on immigration, Summits, free trade and the "North-American Community," and yet, the word Canada does not appear once in his article. As a neat instance of Canada-Mexico reciprocity, it is thus only fitting that in an article specifically devoted to "North American Integration" from a Canadian viewpoint, Drew Fagan [2003] also forgets to mention Mexico at all. And in truth, both are dead right: Mexico's North-America does not include Canada,<sup>1</sup> nor does Canada's North-America include Mexico.

Such an understanding must guide any attempt to move beyond NAFTA in North America. NAFTA commits nobody to deeper *trilateral* integration. From Canada's standpoint, the discussion of the next steps should not be saddled with some kind of implicit need or duty to frame the issues in trilateral terms. This attitude only leads to clouding the discussion or bringing Mexico through the backdoor as a kind of afterthought. This problem is obvious in the report of the SCFAIT, the government response to it [Canada-2003], or even in academic analyses of the issue. Diamond and Hart's, for instance, end up writing, after outlining a series of border related initiatives that "should be pursued initially on a bilateral Canada-U.S. basis", that "it should be made clear to Mexico that any progress made in implementing a more

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<sup>1</sup> If we were really true to the spirit of Castañeda's article, we should even say Mexico's *hemisphere* does not include Canada.

open border is, *in principle*, a course also open to that country" [2003:17. Italics are mine]. As they provide no particular rationale for such an attitude, beyond some kind of obscure "principle," one wonders why not make the same proposals to Brazil, South Korea, India or Costa Rica, while we are it, if broadening the offer to whomever is so immaterial. Very clearly, their otherwise tight analysis could do without this line.

Obviously, this does not apply to modifying NAFTA per se, for instance regarding the dispute settlement mechanism or Chapter 11. Let's not forget, however, that these issues are trilateral *by virtue of NAFTA*, they are not intrinsically so. The fact that they are now locked in a trilateral framework, with the difficulties inherent to such arrangements, should warn us against lightly doing the same with issues that could more easily be resolved, with both countries, one on one.

Beyond the NAFTA treaty itself, and even on the basis of an interdependence that is still in the making, there is no "hard" trilateral agenda today, and none on the horizon.

#### *Trilateralism as a tool of bilateralism*

And yet, others who recognize that reality still argue that there might be a point to trilateralism. That second line of reasoning takes us down a strategic path and frames trilateralism as a tool of bilateralism. This counter-weight argument is the latest incarnation of the "third option" dream: Canada must try to compensate for its dependence on the US market and for its limited bargaining power by diversifying exports and bringing the US into "rules-based trade regimes" that involve as many other players as possible. As Gordon Mace put it before the SCFAIT, Mexico is a first counterweight and hopefully, the whole of the Americas will be brought onboard too,

further enhancing the hemispheric balance of power [SCFAIT-2002]. This is the logic that drove Canada's insistence on an "accession clause" in NAFTA, and that also made it one of the most enthusiastic proponents of NAFTA expansion and of the establishment of a Free Trade Area of the Americas.

While sensible at first sight, the counterweight argument loses much of its appeal when one considers the assumptions it is based on. For that logic to work, one needs first to assume that there is essentially a converging agenda between Canada and Mexico and, for the next steps, between these two and the rest of the hemisphere. Strong assumptions indeed, and certainly ones that are not borne by recent history. A case in point, strictly for North America, is border management and migration, which was resolved between Canada and the US, as the SCFAIT puts it, "in the interest of speed," on a bilateral basis [SCFAIT-2002: ]. Meanwhile, Mexico is still waiting for an agreement on migration that has been years in the making and that September 11 has in fact made less likely, not more. The hemispheric counterweight argument is obviously even more problematic, as demonstrated by the experience of the FTAA process, where for instance small dependent economies, such as the Caribbean, small productive ones, like Costa Rica, large ambitious ones, such as Brazil or medium-sized troubled ones, such as Peru, Colombia and Venezuela, have interests and agendas that, to say the least, do not always overlap with one another and that often diverge significantly from Canada's.

The second assumption of the counter-weight thesis has much to do with the "interest of speed" mentioned above: for trilateral or hemispheric arrangements to be beneficial, they would need to be efficient, especially, I would add, for the smaller players for whom the "transaction costs" in relative terms, are highest. From that standpoint, it is very difficult to imagine a trilateral mechanism, and even more a

large multilateral one, delivering relatively quickly on a very important issue. Just try to imagine how bothersome, slow and, as a result, how massively damaging, a trilateral process would have been for Canada in the case of border management.

Above and beyond those brave assumptions, moreover, there is the problem of US interest: While one of the foremost advocates of a "North American Community," Robert Pastor, is American, the concept has met with scant interest in Washington or elsewhere in the United States. This should come as not surprise as the project finds much of its inspiration in the European experience, one that is, to say the least, somewhat at odds with the views of the US policy establishment. Moving from NAFTA to a Europe-inspired North-American community involves less furthering NAFTA than profoundly changing the model of integration that it embodies, one that shuns supra-national institutions, resolutely opposes formal policy coordination and conceives of integration less as a political project per se than as the outcome of market-driven dynamics.

From Canada's –and Mexico's—standpoint, forcing such a change onto the US would imply a massive investment of political and administrative resources, to serve a project whose benefits are unclear and whose successful completion is highly doubtful. The whole endeavour risks in fact to be counterproductive, as the trilateral project, were it pursued with vigour, would likely complicate bilateral relations and clutter bilateral agendas that, in the meantime, are already quite full and need to be dealt with.

Looked at from these angles, in sum, the trilateral option looks less like a counterweight than like a massive deadweight.

### *Enlightened self-interest?*

Even in the absence of immediate or longer term interest, even without providing much leverage for the bilateral political relationship, it can still be argued that there is a case for trilateral cooperation. This one focuses on the need to bring Mexico's economic and social development to the level of its richer Northern neighbours, as was done in Europe, with Ireland, Greece, Portugal and Spain and as will be done, presumably, over the next few decades, with the newcomers from Eastern Europe and possibly even with Turkey. The core argument is old, it was used in fact to sell NAFTA in the United States, and it is based on a security motive best framed by Cranford Pratt as "fear of the poor" [Pratt-1999]: growing interdependence in North America makes the social and economic stability of its rich members dependent on the harmonious development of their poorer partner and on its social stability and democratic consolidation. Canada and the US thus have a growing stake in the transformation of Mexico into a democratic, fair and much richer country.

A further twist is given to that basic narrative by critics of the neo-liberal agenda that underlies NAFTA: the latter, arguably, had a negative impact on Mexico's society and economy, making things worse in fact, than they would have been [Macdonald in SCFAIT-2002]. To the extent that NAFTA never delivered sustainable economic, social and political development to Mexico, the rich partners have the responsibility, and even the duty, to help Mexico deal with the legacy of NAFTA.

There are many problems with that line of argument. The first one was pointed out by Pratt: fear of the poor rarely leads to a generous attitude; instead, people and government typically turn to defensive measures, which is just what his happening in the case of migration. Enlightened self-interest, in other words, quickly morphs into

self-interest period. Second, while rich developed countries are indeed more stable economically, socially and politically, the process through which development and wealth creation ultimately produce these social impacts is often tortuous and conflictive: one simply cannot assume that the dynamics of change will have the same impact as the outcome of that change. Finally, the link between the establishment of a North-American community and the emergence of a prosperous, quiet and stable Mexico is far from clear: even if some kind of aid or support could effectively help Mexico lift itself out of under-development, one does not see why this aid should in any way take the form of, or transit through, trilateral institutions.

From the standpoint of Canada, moreover, the whole debate is essentially moot, for what happens in Mexico has basically no consequence here. Security and economic spill over from Mexico is another of those Mexico-US bilateral issues where Canada has little at stake. Only the responsibility argument, in other words, could have relevance and even that is far from clear, as the assumed link between NAFTA per se and the economic and social travails of Mexico is highly disputed and certainly has not been shown to exist beyond reasonable doubts. What is left, in sum, is a bilateral CIDA file and, given that Mexico is one of the richest Latin American and Caribbean countries, certainly not one that should take precedence over Haiti, Bolivia, or Nicaragua.

Conclusion: Simply a bad idea

What are we left with, in the end? Well, we basically have two bilateral relationships. One, critical, with the United States, which must be managed in the most efficient manner and without illusions regarding potential alliances and counterweights. And

another one, still marginal but increasingly important and valued, with Mexico. Then, we have the management of NAFTA, which is necessarily trilateral. Period.

There is no need for more, no need for the proposed annual Summits between the three North-American heads of state, an arrangement that exists between Canada and Europe but, interestingly, not with the United States. There is, a fortiori, no need for a secretariat, however roving and small, to run those summits or other trilateral initiatives. It might be interesting to sustain discussions in areas of mutual interests, as is done, for instance, on energy. There is little justification, however, for the systematic institutionalization of such cooperation. The process must be needs-driven and those must be assessed with extreme care, avoiding the kind of lofty story-telling that is increasingly shrouding our understanding of Canada's hemispheric and north-American policy.

Canada did not join NAFTA to gain access to the Mexican market. Canada joined NAFTA to make sure that no hub-and-spoke system would emerge to make the US the only country where investors could freely export to the whole of North-America. It was a sensible defensive measure once the Canada-US FTA had made us vulnerable to investment diversion. Nothing has happened in the last ten years that provides a compelling rationale for deepening that trilateral arrangement or transforming it into a more or less diluted Europe-like community.

Canada's eggs are in the Northern-North American basket and this is the basket whose governance we should be preoccupied with. Border management, migration, security, standards as well as currency are just too consequential to be tackled in a framework that brings to bear Mexico's own problems and preoccupations, as well as the complexities and scope of its bilateral relationship with the United States.

Mexico is an increasingly important partner of Canada, because of NAFTA, but also for a host of other reasons, ranging from converging views on issues such as Iraq and the UN, to the fast growing cooperation between universities, cultural communities and businesses of both countries. That relationship must be understood and valued for what it is, and it must be managed in a corresponding, bilateral and multilateral, framework.

North-America is not an integrated unit and logically, it should not be governed as such. For the deepening and the serene and efficient management of Canada's relations with both the United States and Mexico, trilateralism is at best a distraction, at worst a nuisance. It diverts attention from the management of the two bilateral relationships and it blurs our thinking about Canada-Mexico relations. Let's bury the idea.

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