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Audit of the Conventional Wisdom

The Audit of Conventional Wisdom

In this series of essays, MIT's Center for International Studies tours the horizon of conventional wisdoms that animate U.S. foreign policy, and put them to the test of data and history. By subjecting particularly well-accepted ideas to close scrutiny, our aim is to re-engage policy and opinion leaders on topics that are too easily passing such scrutiny. We hope that this will lead to further debate and inquiries, with a result we can all agree on: better foreign policies that lead to a more peaceful and prosperous world. Authors in this series are available to the press and policy community. Contact: Amy Tarr (atarr@mit.edu, 617.253.1965).

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Raising the Salience of Mexico and Canada

Chappell Lawson

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Canada and Mexico rarely figure high on the list of American priorities. Policymakers focus on conflicts in the Middle East; specialists in international relations discuss China's growing influence; and newspapers cover the international crisis *du jour*.

It is easy to forget about two countries that appear to pose no direct or immediate threat to U.S. interests.

Indeed, the conventional wisdom on North America runs something like this:

1. Compared to other pressing international concerns, Canada and Mexico are not particularly important;
2. Consequently, these countries can be safely ignored; and
3. Any problems that might ultimately force American leaders to pay attention to their neighbors can be fixed easily or unilaterally.

Of these three contentions, only the last has any truth to it. Our two closest neighbors are vitally important for America, and national interest dictates that we pay greater attention to these relationships. Although neither Canada nor Mexico is likely to provoke the sort of crisis that commands urgent, high-level attention, a small proactive dose of such attention could yield enormous benefits for the United States. Over the long run, the absence of such attention could jeopardize American security and prosperity.

What's at stake

Almost a dozen years after the implementation of the North American Free Trade Agreement (NAFTA), elite discourse in the United States consistently understates the relative importance of economic relationships with America's two neighbors. In the first quarter of 2005, for instance, the *New York Times* carried almost twice as many articles on U.S. trade with China as it did on U.S. trade with Canada and Mexico combined.¹ Such coverage obscures that fact that Canada and Mexico are America's largest and second-largest trading partners, accounting for over 30 percent of total exports and imports, and that trade with these two countries exceeds the value of U.S. commerce with the

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continued from page 1 —enlarged European Union or all of East Asia.² So vast are commercial flows in North America that merchandise trade passing through a single crossing point on the U.S.-Canadian frontier (Detroit-Windsor) approaches that of total U.S. commerce with Japan.

Equally unappreciated is the strategic importance of these trade flows. Canada and Mexico are now the two largest foreign suppliers of oil to the USA. Canada alone provides 33 percent of America's total energy imports, 94 percent of natural gas imports, and almost 100 percent of electricity imports. These patterns of supply are likely to persist and even intensify over the next decade, with the development of Canadian oil sands and the exploitation of gas fields in the Mackenzie Delta.³

Perhaps most important, however, are flows of people in the region. It is widely known that large numbers of Mexicans cross the border each year in search of employment in the U.S. Less well-known is the number of legal border crossings into the United States from Canada and Mexico, which total approximately 400 million each year. More people enter the U.S. from Canada and Mexico every day than do so from almost any other country over the course of an entire year.

Ignoring North America

By themselves, these facts are little more than intriguing academic tidbits. But collectively, they have crucial implications for American policy. Neither Canada nor Mexico has a threatening nuclear program, and the United States will not soon find itself at war with either of its neighbors. But both countries are crucial to the United States' short- and long-term interests. On virtually every front—from security to trade to energy to the demographic composition of America itself—Canada and Mexico are the most important countries in the world for the United States.

Consider, for instance, the issue of public safety or (in the current jargon) “homeland security.” In the post-9/11 world, does it not matter that Canadian immigration officers have a different view of which third-country nationals constitute a security risk, or that Mexican customs officials may be susceptible to corruption? Should Americans care if there is no common standard for inspecting the tens of thousands of containers that enter the NAFTA region each day?

Or consider the issue of energy. Does it matter for American interests if vast Mexican reserves of oil go undiscovered and unexploited, forcing the U.S. to rely on politically hostile or volatile sources of supply? Should the United States mind if Chinese companies monopolize Canadian oil sands, or if Canada's next big gas pipeline points toward Asia rather than Chicago?

Finally, there are population flows. Approximately five million Mexicans currently reside in the United States illegally, with well over a hundred thousand (no one knows the true figure) arriving each year. All told, Mexicans represent approximately 57 percent of America's total undocumented population. In effect, the United States now hosts the world's largest guest worker program, except that it is almost entirely illegal. Rates of permanent settlement for guest workers are on the rise—partly as a result of policies that discourage people from moving back and forth across the border. Including legal residents, America is currently home to approximately 10 million people who were born in Mexico, or about 30 percent of the total foreign-born population. All told, the 22 to 27 million U.S. residents of Mexican ancestry form one of the country's largest ethnic groups—smaller in number than Irish Americans, German Americans, or African Americans, but rivaling the number of Americans who describe their ancestry as English. Whether these facts provoke horror, consternation, indifference, or applause depends on the audience. But they have undeniable importance for public policy—from taxes to education to language—especially in high immigrant areas like the American southwest.

What should be done?

The best approach to all of these issues begins with recognizing (1) the importance of North American relationships and (2) the need for close collaboration with Canada and Mexico. Perhaps the most obvious area concerns public safety—from terrorism to transnational crime to disease control. Given flows of people and products within the region, any unilateral attempt to address these issues is doomed to failure. The only viable approach to public safety is to build a North American security perimeter, covering air, land, and sea corridors from Mexico's southern border to the Arctic Ocean. To be effective, such a security compact could not be ordained by the United States; it would have to be crafted and implemented by all three countries.

On energy, one bold strategy would be to negotiate a trilateral pact covering the development of energy reserves, construction and protection of energy infrastructure, conservation and new technology development, and emissions. Over the long run, such a pact would guarantee the U.S. a stable, secure source of supply of fossil fuels and electricity. It would also provide a regional alternative to the Kyoto Protocol, from which the United States has opted out.

The strategy of closer regional collaboration on security, trade, and energy should also apply to Mexican migration. Although American policy cannot halt northward migration, it can shape the volume and nature of the flow. Explicitly negotiating a migration agreement with Mexico, rather than unilaterally passing new legislation, would be the beginning of a new approach to the movement of people in the region, aimed at making travel within the region legal, orderly, and safe.

Intimately linked to both migration and trade is the issue of development. Because Mexicans buy close to 90 percent of their imported goods from NAFTA partners, economic growth in Mexico benefits American and Canadian producers. Conversely, anemic growth in Mexico generates a host of regional problems—drug trafficking, illegal integration, environmental problems along the U.S.-Mexican frontier, etc.

The United States and Canada cannot provide the \$10 billion of incremental investment that Mexico needs each year to develop. However, at relatively modest cost they could help Mexico to attract billions of dollars of private capital while simultaneously supporting domestic policy reform in that country. One option would be to permit the North American Development Bank, established by NAFTA, to expand its technical assistance program to all interested state and local governments in Mexico. Small grants from NADBank would allow those sub-national governments to reach international standards of credit-worthiness, and thus to finance a range of projects that would provide water, sewage, infrastructure, electricity, and telecommunications in Mexico. The total cost of such a program to American taxpayers

would be perhaps \$100 million a year—somewhere between U.S. aid to Kazakhstan and Kosovo, or less than 6 percent of U.S. foreign assistance to Egypt.

A host of other policies that might seem reasonable to those unfamiliar with the regional context seem downright bizarre when the nature and importance of North American relationships is taken into account. Consider U.S. efforts at democracy promotion abroad. Over the last four years, the National Endowment for Democracy's expenditure in Mexico has dropped by approximately 50 percent, to less than \$500,000 per year; it now hovers at roughly the same level as democracy-promotion funding for Serbia. Because the collapse of Mexico's democratic institutions would have disastrous consequences for the U.S., a re-jiggering of funding priorities seems in order.

Another example concerns educational exchange. Canadian and Mexican students currently represent 5 percent and 2 percent of all foreign exchange students in the United States (respectively). Their combined share of the exchange student population is less than the individuals shares of China, India, Japan, and South Korea—a fact that reflects the priorities these countries attach to student exchange in the U.S., rather than those that America might assign.

Finally, there is the question of ensuring high-level attention and policy coordination within the U.S. Far more than American relations with any other countries, dealings with Canada and Mexico affect a vast array of domestic interests

and agencies (at all levels of government).⁴ The absence of any senior-level direction for these relationships means that U.S. policy toward its two neighbors is particularly erratic and incoherent. One option would be for the vice president to take on the North American portfolio in the United States—following the precedent of the Gore-Chernomyrdin Commission after the end of the Cold War. Another option would be for the president to name a White House Coordinator for North American Affairs, who would have the authority to convene and chair meetings of inter-agency deputies' committees. Whatever form it might take, some sort of bureaucratic reorganization is necessary to take North American relations off "autopilot" and plot the best course for U.S. interests.

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¹ During the period January 1 to March 14, 2005, there were 172 articles on China, 60 on Canada, and 22 on Mexico.

² The primacy of North American relationships holds when "re-exports" are backed out—that is, if we consider only the value-added portion of goods traded back and forth across borders at different stages in the production process.

³ Based on improvements in technology and the price of petroleum, the U.S. Department of Energy recently reclassified Canadian tar sands as "proved" reserves (rather than "estimated ultimately recoverable reserves"), giving Canada the second-largest proved reserves in the world. Mexico's current proved reserves are smaller, but figures for that country reflect lack of exploration by Mexico's state-owned monopoly over the last two decades.

⁴ A recent study identified 343 formal treaties and thousands of informal arrangements governing relations with the U.S. and Canada; Mexico has more than 200 formal treaties and agreements with the U.S., in addition to innumerable informal working arrangements.



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