Reevaluating NAFTA

Theory and Practice

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REEVALUATING NAFTA

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To the memory of my father—
friend, guide, and philosopher

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Imtiaz Hussain
Mexico City
September 2012

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NAFTA's 15-Year Itch

Puzzle

This volume examines how the North American Free Trade Agreement (NAFTA) performed from January 1, 1994, when it was initiated, to December 31, 2008, when 15 years ended.[1] This 15-year analysis sheds light on the state of North American regional economic integration—in terms of both its fit and its future. One might broadly ask if NAFTA performance hugs the tighter neofunctional regional integration theory or the looser interdependence counterpart, which would further facilitate comparisons elsewhere in the world.

Ultimately, we must turn to the individual countries. Though Canada, Mexico, and the United States did not explore any space beyond a free-trade area (FTA), as regional economic integration theory would predict, several aspects of the agreement reflect practicality and remain very potent. One illustration was the July 2011 Mexico-US truck deal: envisioned as part and parcel of NAFTA's Chapter XII, dealing with cross-border services, Mexican trucks were prevented by local authorities and truck unions from plying outside the border zone from the very outset.[2] Mexico's $2.4 billion retaliatory tariffs on US agricultural and manufactured exports threatened NAFTA's edifice, hastening the creation of a rough *modus operandi*, no matter how patchy.[3]

If NAFTA sought regional economic integration,[4] like the European Community/Union (EC/EU) did,[5] after December 2008 we clearly see Canada, Mexico, and the United States prioritizing unilateral, bilateral, or non-NAFTA regional arrangements.[6] More than fifty years ago, Bela Balassa had spelled out five stages of regional economic integration.[7] Beginning with a free-trade agreement, a customs union (characterized by a common external tariff), a common market (featuring common fiscal and monetary policies), an economic union (highlighted by a common currency), and full economic integration (which is when political integration begins, according to neofunctionalist theory)[8] should follow, roughly in that same sequence. Although West European integration still shows a soft underbelly even after traversing almost all the stages, the NAFTA journey remains locked in the first. Nor was NAFTA membership increased, even though Chile was widely touted as the "fourth amigo" in NAFTA's heydays.[9] Yet, since none of the three member countries has yet abandoned the project, measuring NAFTA performance also identifies possible future pathways.

More specifically, one might ask if NAFTA processes and structures have become institutionalized or simply been overtaken by stronger forces, such as globalization (under the best possible circumstances of continued growth), interdependence (under the more controlled externalization circumstances), some variation of US unilateralism,[10] or even a return to the kind of bilateralism depicted by the 1989 Canada-US Free Trade Agreement (CUFTA). What do the three years since December 2008 predict for North America's future,[11] and how do they compare with the three pre-NAFTA years when the actual NAFTA negotiations were conducted both formally and informally?[12] Like in 1991–93, is a new North American future in the offing?

Before Chapter 3 begins the NAFTA analysis, the remainder of this chapter explores what the three individual member countries sought through NAFTA arrangements. As elsewhere, those members will be treated in alphabetical order unless some country-specific information/analysis is warranted.

Empirical Assessment

Three NAFTA-based dimensions demand attention: country-specific causes, collective contributions, and overall constraints.

Causal Factors

Country-specific idiosyncratic factors produced trilateral North American free trade convergences. Sprouting from a proposal Mexican President Carlos Salinas de Gortari made to his US counterpart, George H. W. Bush, at the Davos World Economic Forum in February 1991, NAFTA boils down to more of a collection of three bilateral agreements than any truly trilateral deal.[13] Canada was not privy to the original discussions and would remain cool to the idea of any CUFTA extension until mid-1991,[14] but Gortari's proposal would slide neatly into Bush's Enterprise for the Americas Initiative (EAI), through which leaders "from Alaska to Tierra del Fuego" were wooed to forge a different type of post–Cold War cooperation.[15] Latin countries were making similar moves independently.[16] In fact, it was at the 1991 San Antonio sequel to the February 1990 Cartagena Summit, where his hemispheric intentions were being galvanized, that Bush formally accepted Gortari's Davos proposal. Interestingly, a southern US orientation was necessary to redefine North America in the early 1990s (arguably much like at the end of the first decade of the twenty-first century when a more global US perspective seemed to be reconfiguring the length, breadth, and depth of the North American concept—a footnote helpful to keep in any NAFTA discussion probing future pathways). Would NAFTA reflect this broader US vision, and more important, would a transforming Canada and Mexico also explore global opportunities more than regional for their interests and views within a North American framework?

What led the Mexican president to make his proposal?[17] In response to the 1930s depression, Mexico had adopted an ISI (import substitution industrialization) strategy,[18] becoming astonishingly successful in the 1950s and 1960s.[19] Why did the US chief executive—who presided over the fall of the Berlin Wall and thereby vaulted the United States into sole world leadership—reduce the unrivaled *global* reach of the United States to the *regional* level in the 1990s? Of course, the United States proposed multilateralism right after World War II, but did the increasing challenges and constraints of the 1980s compel the United States to elevate regionalism over multilateralism, perhaps as a bargaining chip to strengthen the US version of a diminishing multilateral expectation at the Uruguay Round talks (1986–94)? Did a *North America* consisting of Canada, Mexico, and the United States suffice for a superpower?[20]

Including Mexico as part of *North* America also raised eyebrows, especially since the ISI strategy became a Latin American signature tune. Did Mexico's refusal to join the United States and Canada during the Cold War against Soviet communism strengthen its Latin, rather than North, American credentials and identification? Even if the US president accepted Mexico as a North American country, would the public follow suit when Mexico had become ingrained as a symbol of not only low-wage workers but also an unstoppable source of illegal immigrants? Why did Canada initially fidget before embracing Mexico's NAFTA proposal, especially since NAFTA enhancement has not become a specific target as yet?[21] Variations of these questions peaked during 1991–92, but Canadian, Mexican, and US leaders nevertheless forged the fairly coherent—and, given the circumstances, bold—NAFTA document for ratification. Why did leaders from the three countries not do anything comparable when the NAFTA 15-year term was ending? Although the opposition was intense in all three countries at the start, Jean Chrétien, Carlos Salinas de Gortari, and William J.

Clinton signed the agreement in 1993 and pushed it through their domestic legislatures by the end of the year, keeping the preannounced January 1, 1994, implementation date and a rendezvous with destiny on track—leaving too many people fuming or furious to easily expect acceptance through acclimation over time.

At least four partially overlapping external factors, in addition to a number of country-specific counterparts, influenced all three countries in one way or another. Among the common external factors were (a) the Uruguay Round stalemate of the General Agreement on Tariffs and Trade (GATT); (b) the 1986 adoption of the Single European Act (SEA) across the Atlantic, signaling apprehensions of trade-bloc rivalry, if not in the trenches as yet, then certainly in expectations; (c) the information industry accelerating globalization processes beyond state-based jurisdictions; and (d) a generational change highlighting for the first time not just a coincidence between a democratic surge and a neoliberal embrace but also parallel outbursts of both globally.

First, when the Uruguay Round of GATT talks broke down even as it was getting under way in Punta del Este during September 1986, multilateralism was widely seen as a bridge too far to cross given the weight of national preferences and too many countries drawing swords over too many issues. Deadlocks, evident even at the very outset, impacted not only agriculture but also a wide range of services, exposing groupings within the multilateral framework more favorably inclined towards *collective* action over individual; since the dramatic US-EC cleavage was so dominant, many countries had no choice but to gravitate in one or the other direction, giving regionalism a simultaneous boost across various segments of the world.[22] Certainly, as will become clearer, Canada and Mexico had more US than EC/EU interests then, and they were helped, in part, by not just a similar EC/EU view of transatlantic relations but also another development.

Fearing the retreat of the United States now that the Cold War seemed certain to evaporate, the European Community's SEA adoption triggered a fortress-minded regional outlook that briefly spread global alarm.[23] Mikhail Gorbachev's 1985 ascension to power became a game changer. By symbolizing the end of the Cold War, it led West European leaders to think about extending their resources, identities, and actions to East Europe. The global search for regional identities provided aspiring uncompetitive members not just a face-saving outlet but also a ladder to climb out of their economic doldrums—and nowhere more so than in Mediterranean and Eastern Europe. Since the early 1980s was also a boom time for Japan, every intellectual and policymaking whispering willow utilized a tripartite global breakdown—European, Asian, and American—as a common denominator revolving around the three engines—Germany, Japan, and the United States, respectively.[24] Canada, Mexico, and Latin countries had their choice cut out for them: join the US bandwagon to the fullest, but where possible, explore alternate markets and investment sources. Canada and Mexico grudgingly became models of this new imperative, as the late-1990s NAFTA consensus revealed, and elsewhere on the continent, Latin countries by and large retained varying degrees of independence of the United States without abandoning the historically obnoxious "colossus of the North" apprehension.[25] Fresh from the Cold War victory and armed with a "New World Order" imperative, the United States played to them all, opening more opportunities (by accepting their free trade proposals) than ever before and without any precondition other than democracy.[26] I discuss this within a competitive-liberalism context later in this chapter.

The third factor not only built on the outward expansiveness afforded by regional trade-bloc identities but also exposed the new need to draw the line between consciously driven regionalism and uncontrolled globalism. Globalization had been around for thousands of years (e.g., how the hunting-gathering bands diffused out of Africa), but from the 1980s it was suddenly tearing all sorts of boundaries more rapidly and rampantly than the typical human has been able to fathom or readapt to fast enough, with new technologies expanding production, reducing transportation costs, and forcing the well-endowed countries to vigorously enhance market-access goals, if only to survive. Without engagement, a country could easily be mowed over (as subsequent arguments about Cuba, Myanmar, and North Korea would be made). With the United States behind the steering wheels of innovation and production, this opened infinite opportunities, and for Canada and Mexico, just being a US neighbor implied getting a head start in the now-explosive global competition.[27]

The question arises whether the three countries saw a NAFTA stepping stone (to other broader goals) or a NAFTA end-goal. No answer can ignore analyzing country-specific catalysts.

Canada's Calculation

At least three other particular reasons pushed Canada to make a US free-trade proposal. These were (a) the failure of Pierre Trudeau's Third Option, (b) a MacDonald Commission Report recommendation that it was the most viable exit from the country's economic malaise, and (c) a conservative philosophical convergence in both countries precisely when the US Democrat and the Canadian Liberal parties not only were at policymaking crossroads simultaneously but also faced very congruent options (their interventionist approach threatened to raise costs, but unreciprocated free trade raised those costs even higher).[28]

The future of Trudeau's Third Option policy approach became increasingly questionable since building alternatives to the US market, its underlying goal, produced no tangible solution.[29] By shifting away from the two other options (the status quo and closer US integration), Trudeau's desperate search for robust trade relationships with other countries and a more aggressive nationalist industrial policy produced no dividends and proved hardly a match for trade with the United States.[30] Compounding this failure was the poor economic performance at home, triggered no less by a nationalistic policy approach, evident in the 1974 National Energy Policy, which imposed a tax on oil exports to the United States, and the Foreign Investment Review Agency (FIRA), which basically drove US corporations away (and pumped Brian Mulroney's free-trade-minded Popular Conservative Party support base).[31] Unable to correct the economic free fall, Trudeau left office. Replacing him, Mulroney restored the primary place and position of the United States, but as we will find out, the structural changes to replace aging industries raised costs for both him and his party after the 1988 election, forcing him to also resign. Jean Chretien and the Liberals—who took over after Mulroney's successor, Kim Campbell, badly lost the 1993 election—shifted the fulcrum more to the political center to both consolidate Canada's North American orientation and eke out incremental stability.[32]

The 1985 Canadian Royal (or MacDonald) Commission Report very strongly and repeatedly recommended reviving economic relations with the United States. Trudeau had appointed MacDonald in 1984 to investigate the causes of the economic distress, but by the time MacDonald submitted his report, Mulroney's Conservative Party had already begun implementing what would become the key findings of the report, suggesting, not unimportantly, how the combination of a strong leader, a conducive party platform, and permissive circumstances help ease structural changes. Canada's traders and investors who simultaneously prioritized the United States believed they could put the mid-1980s economic doldrums behind them only by accessing as freely as possible the markets and investment opportunities of their southern neighbor.

The final Canadian idiosyncrasy reiterates this factor: had there not been a commensurate philosophical framework and leader in the United States, Mulroney's leadership and the Conservative Party's platform might easily have come to naught. That the government-bashing champion of free enterprise, Ronald Reagan, began to dramatically open up these avenues not only resonated with Mulroney and the Conservative Party's preferences but also hastened their desired outcomes. Without overstating the point, this simultaneity proved more sustainable than the protectionist counterpart of the Liberal Party and the Democratic Party in the 1970s: both reconfigured their policy preferences along Conservative-Republican lines during the 1990s more than the Conservative and Republican parties realigned their preferences along Liberal-Democratic lines.

Mulroney took the occasion of Reagan's 2005 St. Patrick's Day visit to propose what no prime minister had dared since Sir Wilfrid Laurier lost the 1911 elections for doing so: a free trade agreement.[33] His Shamrock Summit proposal may be seen as the starting point of North American integration as we know it today.[34] Gilbert Winham's acknowledgment of a Canadian dispute-settlement proposal to retrieve the floundering 1987 negotiations as the *linchpin* captures another golden moment of Canada and the United States embracing each other,[35] this time on the economic front and with greater, but not full, symmetry between them.[36] They had done so before during World War II to pool and exploit resources and in its immediate aftermath, when Canada proposed the North Atlantic Treaty Organization (NATO) only to find US reluctance at first, then the NATO transformation to a US instrument—alienating Canada so much that Pierre Trudeau's tenure might represent the nadir of Canada-US relations.[37] That CUFTA dispute-settlement arrangements would play a pivotal NAFTA role proved to be more than the trigger of this renewed warmth: NAFTA analysis will show that, while not the perfect ointment, they have turned garrulous positioning into wrinkles and wrinkles into temporary aberrations rather than disruptive relational triggers.

Mexico's Moment

At least three forces pushed Mexico into irreversibly adopting NAFTA and its neoliberal orientation: (a) the ISI exhaustion as a strategy, (b) a technocratic revolution, and (c) Salinas's complementation policy failures.

First, Latin America's lost decade (the 1980s) was largely the product of import substitution—a malaise many major Latin economies, including Mexico's, had to be bailed out from by three Washington-based institutions: the International Bank for Reconstruction and Development (IBRD), more commonly known as the World Bank; the International Monetary Fund (IMF); and the US Treasury. Borrowing from these institutions was conditioned to privatizing public sectors and letting market forces determine monetary policy (interest rates) and exchange rates. Even as plausibly automatic considerations, they were not sufficient causal factors of change: though the aging ISI strategy needed structural changes,[38] no politician had the nerve to stand up and kill the goose that had laid the golden Mexican eggs for more than twenty years of astounding growth.[39] Yet, if left unfettered, industrial competitiveness plunges, in not just Mexico but also many Latin countries: they found themselves all trapped by refusing to look outside the industrial box in the early 1980s.[40] Just as a neoliberal policy approach offered one solution, Washington-based neoliberal bailouts not only became the only way out but also reinforced the expected US slant given the brewing European and Japanese trade threats. This was not necessarily why such dynamics would be dubbed the Washington Consensus, but they acquired that name anyway from 1989,[41] as if elevating the Latin stock-market value in Washington. Mexico's bilateral free-trade agreement with the United States was followed by GATT membership in 1986, clearing the way for Gortari's 1990 NAFTA proposal.[42]

Interestingly, ISI-wealth fueled Mexico's technocratic revolution in the 1980s: parents of many well-to-do families, who educated their children in star-studded US or UK universities where the teachers often tended to be neoliberal stalwarts, found their offspring returning home to pioneer Mexico's own neoliberal awakening. Salinas belonged to this group, as did Serra Jaime Puche, Guillermo Ortiz, and Pedro Aspe Armella in his administration as well as Ernesto Zedillo Ponce de Léon and many subsequent household names. Mexico's massive neoliberal institutional transformation was not only their child but also one comparable to economic nationalism, highlighting the ISI strategy Lázaro Cárdenas del Río ushered in the mid-1930s.

Finally, Gortari also learned pragmatically from his policy blunders. Upon becoming president in December 1988, he did what many of his predecessors had done: search for a non-US economic partner. He called his approach the complementation policy: other economic agreements would complement US-based agreements. His first target was the European Community, but his 1989 proposal was subordinated by the impending Berlin Wall collapse and subsequent German reunification. Disheartened, Gortari stubbornly explored Japan next, only to find the start of a recession in 1989 in that country that still refuses to yield in 2012, making it the longest recession in a developed country. Learning the obvious lessons from his failed visits, Salinas utilized the Davos invitation to first swallow, then swagger, Mexico's US-trade expansion proposal, much as Canada had done from 1986.

Overwooed United States

At least three considerations independently pushed the United States to accept the NAFTA proposal: (a) the end of the Cold War; (b) a service-sector revolution; and (c) the need for a platform for a reconfigured multilateral trading order.

Dramatic changes accompanied the end of the Cold War:[43] resources could be diverted from military warfare to economic welfare, and as the United States shifted gears from a *high*-politics orientation toward *low* politics, many back-burner issues of mounting concern demanded front-burner placement.[44] Many of these had North American bearings: not only migration, but increasingly illegal immigration on top of that; environmental protection; human rights concerns; a return to making "the world safe for democracy" rather than containing communism through dictators; and George H. W. Bush's *new world order*[45]—a global framework to replace Cold War atmospherics in which next-door neighbors, as well as Latin countries, received more particularistic than generic attention. All these were components of what might be called the peace dividend of ending the Cold War—too many flanks of US attention depicting the panoptic setting mused by Michel Foucault but elaborated by Tony Payan.[46]

Accompanying these changes was a historically dramatic but realistically snail-paced conversion of the United States from a manufacturing economy into a service-sector economy. Of course, the emergence of the Internet in the 1980s and a variety of other innovations in the communications industry were key catalysts, but they were not the only ones. The multidimensional financial boom was evident in the growth of MBA programs and graduates in the 1980s as well as the commodity and futures market, mutual funds markets, stock-market brokers, and so forth. Not only technological innovations in their own rights but also their application to manufacturing industries were significant—for example, retooling automobiles with computerized components, converting cinema halls into multipurpose entertainment centers with the advent of videos, and reconstructing the health industry utilizing all sorts of new gadgets such as heartbeat monitors for joggers.

The net effect shifted lifestyles—from dirty, factory-filled metropolises to green suburbs—in the process, for example, boosting the golf industry and making sleeker cars symbolizing elegance and speed more fashionable.[47] They necessitated shifting factories off shore, one reason Mexico's *maquiladora* industry, begun in 1965, exploded in the 1980s—and with it protests against labor exploitation[48]—promoting transparency abroad since service-sector exports (financial capital, banking) demanded it. New technologies ultimately boosted production and demanded expanding markets. At a time of deadlocked multilateral trade talks (the Uruguay Round stalemate began in September 1986) and a fervent US search for alternate arrangements, free-trade proposals from Israel (1984), Canada (1986), and Mexico (1990) fit a despairing occasion well.

Finally, the United States interpreted the regional trading arrangement quite differently than West Europeans, Latin Americans, or Southeast Asians—as a means toward reinvigorating (eventually recalibrating) the multilateral trading order, not largely as an end in itself.[49] Although GATT's Article 24 permits regional trading blocs, this permission is only for temporary purposes and as a step toward returning to the multilateral framework.[50] Evidently, the European Community prioritized Europe (and Europeanness) over the multilateral trading order: it was in its fourth decade at the time of the NAFTA implementation. This was also true of Latin and Southeast Asian countries, who substituted nationalistic policy preferences for regional preferences, as with Mercosur transforming Latin America and the ASEAN (Association of South East Asian Nations) being rechristened as AFTA (ASEAN Free Trade Agreement). In its own turn, the United States was no longer alone in exploring the space "beyond the state" and reinventing its pet multifaceted post–World War II goal.

Furthermore, given the prevalent fears of interbloc trade rivalry and the Uruguay Round stalemate, the United States adopted a twin-strategy implementation approach everywhere except West Europe, highlighting a FTA strategy: these were negotiated and culminated across the Americas, in Africa (Egypt), and Asia (Jordan, Singapore), but not West Europe—as if creating concentric circles of trade influence surrounding West Europe.[51] A second strategy, to adopt a "ring around Europe" policy approach through competitive liberalism, took the European Community/Union by the horns with a different model of economic liberalism, which I discuss in greater detail later. In this way, the United States sought to build up enough agreements to have majority support in any refashioned GATT/World Trade Organization (WTO): it had to outvote the Europeans in order to fully liberalize agriculture and various service-sector industries.[52] Ultimately, the United States accepted Canada's FTA proposal, began negotiations with Mexico, and shortly thereafter engaged other Latin American countries through the Summit of the Americas talks in December 1994 at Miami to eventually produce the Free Trade Area of the Americas (FTAA) in 1998. Simultaneously, it pushed Australian prime minister Bob Hawke's January 1989 Pacific Rim proposal into the Asia-Pacific Economic Cooperation (APEC), whose leaders first met in 1993, and continued with Barack Obama's December 2009 Trans-Pacific Partnership to search for an elusive trans-Pacific nirvana.

Constraints

What happened to these motivational forces by 2008? What, in short, constrained the three countries from pushing regional integration deeper and wider? As before, a discussion of exogenous factors precedes the elaboration of country-specific constraints.

Exogenous Constraints

At least three exogenous factors impinged NAFTA's future: (a) the Asian financial crisis; (b) China's sudden emergence as a trading powerhouse; and (c) the unyielding 2007–11 recession.

First, the 1997–98 Asian financial crisis confirmed very dramatically that, since crony capitalism depended on a marriage between local and foreign capital,[53] any local crisis would reverberate throughout the global economy. The message was clear: isolation from global (financial) networks would make regional arrangements very costly. Mexico learned that lesson through its 1995 peso crisis,[54] but only halfheartedly.[55] It opened its markets but largely to North American partners, not sufficiently globally to safeguard against any future shocks (and when one such shock came with the 2007–11 recession, Mexico's costs climbed higher than they would have had Mexico diversified its economic partners rather than prioritized only single-handed agreements from before).[56] Now it was time for the Asian countries to learn their own lesson (which they did more effectively, since their 2007–11 recession costs have thus far been lower than for Mexico). The United States wanted to help, not just because much of the foreign capital originated in the United States, but also because such help would strengthen its competitive liberalism orientation—encouraging global-level economic networks over regional.

Second, China's targeting of the US market, more than its emergence as an economic powerhouse, confronted NAFTA arrangements—for example, in rules of origins and local/regional content. By undercutting export prices, China threatened Mexico's breadwinner:[57] the *maquiladoras*.[58] Eventually (in 2003), it would displace Mexico as the second-largest US trading partner, threatening even further damage to Mexico's economy:[59] by prioritizing trade arrangements with almost every other country in Latin America and the Caribbean over Mexico, China built a platform infrastructure that would further cripple Mexico's export industries. This must have been music to the United States' ears in many ways; for a start, China could not engage in economic projects externally without some relaxation of controls domestically—a movement benefiting only US corporations; furthermore, since purchase prices would be lowered in US markets, the United States could connect this with its post–Cold War peace dividend; and finally, China's Latin engagements fitted very nicely with the US competitive liberalism thrust to engage countries on the doorsteps of both Europe and China.

According to Simon J. Evenett and Michael Meier, US competitive liberalism seeks three goals:[60] (a) to use access to the US market as leverage to open markets elsewhere, with free trade agreements as the instrument;[61] (b) to disseminate US-market-friendly rules and regulations to other parts of the world; and (c) to extend economic cooperation into other sectors, such as foreign and security policies, reflecting US values. They also note the pivotal FTA role in this policy approach, deliberately demonstrating how bilateral, regional, and multilateral trade can be interconnected and ultimately—as the proponent of this policy approach, Robert Zoellick, George W. Bush's first US Trade Representative (USTR), had hoped—put the United States firmly behind the world trading system.[62]

Third, the 2007–11 recession exposed the limits of regional trading arrangements:[63] the more diversified the partners, the lower the costs. With Canada and Mexico concentrating too heavily on the US market or other economic engagements with the United States, two effects were clear from the start: contagion effects—for example, when both GM and Chrysler crashed in Detroit, their subsidiaries in Canada and Mexico suffered—but more critically, the deeper the concentration, the more difficult the plight, evident in Mexico being hurt more than Canada in the recession.

Canada: Three's a Crowd?

At least five NAFTA objectives can be identified for Canada: (a) expand exports to Mexico and reduce Mexican tariffs; (b) gain further access to US markets; (c) compete across the Pacific with stronger North American arrangements; (d) make Canada attractive to foreign investors; and (e) establish effective dispute settlement.[64] All but the first were CUFTA extensions, directly or indirectly exposing three NAFTA bottlenecks for Canada: (a) the "CUFTA is better than NAFTA" perception;[65] (b) bogus Mexican refugees and spiraling cocaine shipments exploiting the space created by free trade, tarnishing Mexico's reputation unnecessarily; and (c) Canada's hands-on engagement in the US terrorism war diverting attention from NAFTA.

Since Canada was not too enthusiastic initially about CUFTA extension south to Mexico,[66] it is not too surprising to still sense that reservation today.[67] Stephen Harper's government has made no bones about conveying