

# REGIONS

## Mexico: Renewed Interest in a Stronger Relationship

The 7th meeting Canada-Mexico Joint Ministerial Committee, produced a routine official communiqué in which the two governments catalogued bilateral and multilateral issues. Noteworthy, however, was the unprecedented involvement of no fewer than 10 Canadian ministers and 7 of their Mexican counterparts, the home team captained by External Affairs Minister Joe Clark and the visitors by Foreign Relations Secretary Fernando Solana (see box). 'This reflects the importance attached by both countries to strengthening further their ... relations based on similar views of world and regional affairs, and common interests through geographic and cultural linkages,' the communiqué stated. The meeting also was a workup to Prime Minister Mulroney's March 15-18 visit to Mexico at the invitation of President Carlos Salinas de Gortari.

If external appearances were bland, discussion behind closed doors at the Jan. 22-23 meeting was anything but, especially about the Organization of American States. In briefing beforehand, Canadian officials said this country's endorsement of the United States' invasion of Panama was not contentious despite Mexico's criticism. It was not, as one put it, 'an issue between us' and Mr. Clark and Señor Solana would focus more on the question of 'where do we go from here?' Afterward, the Mexican minister said discussion of Panama was 'open and frank'; the diplomatic equivalent of fisticuffs. Mexico's concerns about Canada apparently were assuaged by our denunciation of the seizure and search of the Nicaraguan ambassador's residence by U.S. troops during the inva-

sion. Señor Solana said there is 'great potential' for a higher Canadian profile in Latin America. As far as Mexico itself is concerned, he said 'we need more and more political relations' because of the paucity to date of discussion of what should be common policy.

On the more substantive issues of trade and economics, Señor Solana said before the meeting that recent Mexican initiatives to relax restrictions on foreign investment, coupled with legislated protection for investors, should boost the current inflow, which has averaged some \$3 billion (U.S.) annually. The legislation essentially eliminates government review of foreign investments of less than \$100 million as long as they meet criteria that include permanent job creation. Mexico is looking for \$5 billion in new investment by 1994. 'The new Mexican legislation now offers foreign investors important safeguards,' Señor Solana said. 'We would like to see our Canadian friends take advantage of them.' He left Ottawa apparently impressed with the 'great potential' for an enhanced relationship with Canada.

Two-way trade amounted to \$1.8 billion in 1988, the latest year for which complete figures are available, but it was skewed \$800 million in Mexico's favour and Canadian officials said 'we would certainly like to see a better balance.' If the issue of a North American common market was discussed, it was only peripheral; it seemed to have dwindled to a nadir after Ronald Reagan took it to a short-lived zenith with his public musings in the runup to his first bid for the U.S. Presidency in 1980. Canada went into the talks insisting, as one official put it, that 'it simply is not realistic to con-

plate that option.' Nevertheless, there seems to be a resurgence of interest despite the fact that the threat of American dominance is as real for Mexicans as it is for Canadians. Notwithstanding deeply-rooted emotional antipathy south of the line stretching from Tijuana to Matamoros, it is Mexico City's own initiatives that are responsible. The policies that have opened up the country to major investors for the first time in decades actually have prompted some U.S. trade officials to talk openly again about the prospects for a trade agreement similar to the one signed with Canada. While they welcome the investment, especially from non-U.S. sources such as Japan and Canada, officials shy away publicly from talk of free trade. Manuel Suarez-Mier, minister for economic affairs at the Mexican embassy in Washington, dismissed such talk as speculative. 'We're still trying to catch our breath,' he said of the aftermath of the new legislative initiatives.

Those initiatives, apart from the investment commitments, are having an equally important secondary effect: growing confidence in the foreign financial community that Mexico is serious about its commitments and that it only makes sense to ease the pressure from outstanding loans that an unhealthy Mexican economy simply could not withstand. The Solana delegation's visit to Ottawa coincided with an announcement from Mexico City that a new umbrella agreement with 450 banks will ease the country's debt burden by an annual average of \$3.8 billion (U.S.) through to 1994. The banks chose from three refinancing options applicable to \$48 billion in medium- and long-term debt. Representing 49% of total debt exposure, they chose rate reduction bonds. Payment reduction under the agreement averages \$2.2 billion annually through 1992 and \$1.5 billion after that. New loans would provide an additional \$1.5 billion in 1990-92. Although no details were provided, two Canadian banks are part of the group, one choosing to reduce the interest on its outstanding loans, the other having chosen a combination of lower rates and a write-off against principal.

Apart from Señor Solana, the other Secretaries in the visiting delegation were: Pedro Aspe (Treasury and Public Credit), Jaime Serra (Commerce and Industrial Development), Carlos Hank Gonzalez (Agriculture and Water Resources), Patricio Chirinos (Urban Development and Ecology), Pedro Joaquín Coldwell (Tourism), Enrique Alvarez del Castillo (Attorney General). The other Canadian ministers were: John Crosbie (International Trade), Don Mazankowski (Agriculture), Michael Wilson (Finance), Frank Oberle (Forestry), Tom Hockin (Small Businesses and Tourism), Doug Lewis (Justice and Attorney General), Pierre Blais (Solicitor-General), Lucien Bouchard (Environment) and John McDermid (Privatization and Regulatory Affairs). The respective ambassadors, Alfredo Phillips and David Windfield, also participated.

# STATISTICS

## International Trade

After October yielded Canada's first merchandise trade deficit in nearly 14 years, a nosedive in automotive imports was the principal factor behind a reversal in November. Seasonally adjusted on a balance of payments basis, the preliminary Statistics Canada figures, subject to revision, show a surplus of \$679.0 million in the latest month. It left the surplus for the first 11 months of 1989 at \$4,699.8 million — down 49.0% from the same period of 1988. Export value in November was up 0.5% from October at \$11,525.6 million, the change was due largely to increased wheat, automobiles and aircraft shipments that were undercut slightly by a drop in precious metals exports. November's imports dropped 8.3%, the sharpest in 17 months, to \$10,846.7 million. Half the drop occurred in the automotive sector, mainly in cars and parts. Here is a rounded breakdown in millions of dollars:

	NOVEMBER			CUMULATIVE			Change from '88
	Exports	Imports	Balance	Exports	Imports	Balance	
<b>U.S.</b>	8,485.6	7,505.0	+980.6	95,590.6	85,534.2	+10,056.3	-2,726.2
<b>Japan</b>	701.8	663.1	+38.6	7,825.6	7,585.9	+240.5	-40.4
<b>U.K.</b>	254.8	406.9	-152.1	3,269.6	4,196.3	-926.7	+164.9
<b>other EEC</b>	669.4	759.5	-90.1	7,210.1	9,103.3	-1,893.2	+1,242.2
<b>other OECD</b>	350.7	372.2	-21.5	3,086.0	3,715.8	-629.8	-145.7
<b>all others</b>	1,063.4	1,139.9	-76.5	11,001.9	13,149.3	-2,147.4	-3,011.2
						+4,699.8	-4,516.4

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	1989/90	1988/89
8		
5	405,663	366,648
31	41,619	34,068
26	64,124	60,702
00	580	-226
	—	500
41	279	1,357
93	512,265	463,049
70	9,263	8,826
50	3,000	3,250

breakdown in thousands of dollars:

\*Abbreviations used refer to the following:

- APF — Asia Pacific Foundation  
 CCC — Canadian Commercial Corp.  
 CIIPS — Canadian Institute for International Peace & Security  
 CIDA — Canadian International Development Agency  
 APF — Asia Pacific Foundation  
 EDC — Export Development Corp.  
 ICOD — International Centre for Ocean Development  
 IDRC — International Development Research Centre  
 IJC — International Joint Commission

APF*	—	—	—	—
Sub-total	121,306	166,578	1,014,778	1,235,324
<b>EDC*</b>	10,880	—	42,068	—
<b>ICOD*</b>	600	700	4,700	3,950
<b>IDRC*</b>	9,050	9,516	72,375	76,133
<b>IJC*</b>	314	283	2,949	2,745
<b>OVERALL TOTALS</b>	206,239	248,090	1,661,398	1,793,277