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### **Canada's and Mexico's Role in Constructing (or Constraining) US Power: A Mid-Project Report**

American international relations (IR) analysts of their country's global role generally treat US power as a given, independent variable in global affairs. Abroad, scholars focus more on how Washington influences their country than the reverse. In contrast with most approaches that consider the United States to be the *subject* in IR, we are examining the United States' power as the *object* -- the dependent variable -- by asking to what extent it is determined by economic and political supports (and constraints) provided by other states.

As a first exploration of this problematic, this paper summarizes our thinking as we proceed with a larger project examining how Canada and Mexico's geographical proximity, their deeply integrated economies, and their individual involvement in global governance construct US power (or constrain it) by buttressing (or limiting) Washington's capabilities. Ranging from energy supplies to international legal norms, we are exploring three related propositions.

1. Canada and Mexico are the most important foreign providers of US security. While the two countries have played mixed roles in supporting and resisting US military power., increasingly integrated North American security practices have made the Canadian and Mexican governments Washington's most important allies in its "wars" on drugs and terror.
2. Through their abundant mineral and petroleum resources, their supply of skilled and unskilled labour, and their consumer markets and investment opportunities, Canada and Mexico are the most important material sources of US economic strength.
3. Canada and Mexico's support for the United States within the multilateral arena has been inconsistent. Sometimes they play the role of pivotal ally; at other times they frustrate the United States' ability to achieve its foreign policy objectives.

Although we posit the United States as the dependent variable for analytical purposes, Washington has never been passive in the issues under analysis. The US government has actively engaged with its two neighbours over the two and a half centuries of its existence, whether to increase its neighbours' contributions to its strength or to hobble their capacity to constrain it. This proactive agency helps explain why, although Canada and Mexico have occasionally succeeded in leveraging their assets into effective action, they have generally exerted less influence on the United States than their actual contribution to its wealth and security would seem to warrant.

In general, this project aims to achieve a more complete epistemology of the United States' power by complementing the largely US-centric IR literature with an analysis of the continental periphery's contribution to or limitation of its clout.

## **Section I: Securing US Power**

The first priority for any state is security without which even a giant economy remains weak against rivals and defenceless against enemies. Since besting the Soviet Union in the Cold War, the United States' military superiority has grown so vast that its offensive capabilities have come to be understood as self-sufficient, secured from the rest of the world by its awesome arsenal. We argue that Mexico and Canada are integral determinants of US military security.

At the same time, Canada and Mexico present significant sources of US *insecurity*. In particular, the attacks of September 11, 2001 on New York City and the Pentagon transformed US thinking about its two neighbours, which suddenly appeared as significant potential conduits for further Islamic terrorist incursions. Because of the possibility that terrorists might immigrate legally into the periphery, then covertly cross into the United States by land, Canada and Mexico became extraordinary theatres in of the United States' worldwide effort to achieve total security against Islamic terrorism. Having exacerbated its own insecurity by redefining terrorism as an overwhelming threat, the United States pressed its neighbours to bolster its security by harmonizing their immigration rules and anti-terrorist capacities with its own measures.

If narcotics consumption undermines a state's power, then the supply of illegal drugs from other countries can also be conceptualized as a national security threat. Drug producers and traffickers within Mexico and Canada are the largest foreign suppliers of the five principal natural and chemical narcotics (cocaine, methamphetamine, marijuana, heroin, and ecstasy) to the continually growing US consumer market. The drug cartels in Mexico have entrenched corruption at all levels of government, generated zones of violence along the US-Mexico border, and infiltrated US cities. While outlaw organizations in Mexico and Canada constitute the greatest foreign drug-security threat for the United States, the governments of Mexico and Canada are its most important allies in the war on drugs.

Given these threats, we can categorize the periphery's involvement in US security along four dimensions:

### ***The periphery as an extension of the US security perimeter***

To the extent that the periphery governments can become de facto extensions of the US security apparatus, they expand the United States' security perimeter outwards, thereby enlarging the amount of secured space that the United States controls beyond its national boundaries.

While congruent Canadian and American definitions of their respective national security interests have facilitated the largely complementary workings of their bilateral defence regime, Canada's reluctance to accept nuclear warheads on Canadian soil, its refusal to support ballistic missile defence, and its opposition to the weaponization of space imposed some limits to the Pentagon's security initiatives. In the case of military cooperation, the North American Aerospace Defence Command integrated Canadian air defence capabilities under US direction. By contrast, Mexico has been more reticent to engage in this type of integrated military command structure, though the US-Mexico relationship was uncharacteristically important during World War II, when cooperation with Mexico allowed Washington to deploy overseas military assets that would otherwise have been required for the defence of its southern flank.

More recent extensions of the US security perimeter have been achieved in the anti-terrorist and anti-narcotic spheres where joint intelligence and policing cooperation efforts have created an increasingly integrated continent-wide security zone. Attempts to create such a continental anti-terrorist security perimeter were at the core of Washington's post 9/11 efforts, including the Smart Border Declarations it signed by Canada in 2001 and Mexico in 2002. Under the

subsequent Joint Targeting Initiative, US and Canadian officials operating jointly identify and screen high-risk containers at their first point of arrival, operating jointly at the ports of Montreal, Halifax, Vancouver, Seattle, and Newark. More recently, with the 'Shiprider' pilot project, the United States and Canada conduct cross-border, jointly-crewed maritime patrols in the Atlantic and Pacific coasts.

Whereas the Canadian government was an unqualified supporter and ally of the United States in its war on terror, the Mexican government was a more reluctant partner because it did not consider its own security to be threatened by militant Islamic anti-Americanism. Similar anti-terrorist border security initiatives have been taken with Mexico, but the extended US security perimeter represented by programs such as the Customs and Trade Partners against Terror and the US SENTRI program is managed and financed more unilaterally by the United States.

At first, Mexico was ambivalent about Washington's efforts to expand its anti-narcotic security perimeter southwards. It tolerated a US-directed and US-funded expansion of the US war on drugs deep within Mexican territory by allowing the Drug Enforcement Administration (DEA) to operate on Mexican soil provided its agents were not armed. Since growing drug consumption and unprecedentedly escalating drug-related violence are seriously increasing its domestic insecurity, Mexico has become more fully committed to supporting the United States' understanding war on drugs. The DEA now has eleven offices in the country and undertake many joint missions with Mexican authorities. The 2007 Merida Initiative officially marked this turning point. Not only did Washington commit major funding to bolster Mexico's capacity to enhance US security; the Mexican government for the first time accepted large-scale US financial support to construct the two countries' anti-narcotics security together. Bilateral efforts have disrupted the flow of drugs, money, and precursor chemicals from South America through Mexico and into the United States, and a new set of bilateral maritime policies has streamlined US Coast Guard searches of Mexican-flagged vessels in international waters.

The creation of a continental security perimeter also exists programmatically through policy harmonization. Washington demanded that Mexico and Canada bring their many pertinent public policies up to a common US-directed standard, and they largely concurred. The *Anti-Terrorism Act* was the clearest indication of Canada's willingness to construct American security in the age of network terrorism, but harmonization also occurred when were made substantial changes to its immigration regime. Under both Presidents Fox and Calderon, Mexican anti-terrorism and narcotics policies have increasingly adopted US policy models.

### ***The periphery as a security buffer zone***

Even when they are not incorporated within the United States' security perimeter, Canadian and Mexican territory can still offer a buffer area for US security threats, a zone outside the first-line of US fortifications where threats can be identified and warded off before they reach the US homeland.

During the Cold War attacking Soviet missiles were to be detected, intercepted, and destroyed over Canadian territory before they reached the United States. Detection was provided by locating radar stations in northern Canada, such as the Pinetree Line, the McGill Line, and the Distant Early Warning line, while interception was provided first by the Royal Canadian Air Force's aircraft. US military relations with Mexico have been marked by intermittent cooperation within the context of continuing distrust and disagreement, as manifested in Mexico's resistance since World War II to establishing any institutional framework for bilateral military cooperation.

Analogous efforts have been undertaken within the anti-narcotics sphere where the United States has partnered with both Canada and Mexico to destroy drug production and contain supply sources within the periphery before drugs reach US soil. With the Merida Initiative's resources and Calderon's increased resolve to crack down on domestic drug cartels, Mexico, in particular, has made strides in intercepting flows of illegal narcotics.

The periphery's role as an anti-terrorist buffer zone has manifested itself in increased intelligence sharing since Canada and Mexico have been conceptualized by US security policy as preventive spaces where US-targeted threats can be identified and even eliminated. In addition to screening visa applicants overseas, Canadian authorities process data on passengers travelling to Canada before they take off and deliver this information to American intelligence authorities. A high-profile example of US-Canadian intelligence sharing was Ahmed Ressam, the 'Millennium Bomber' caught trying to drive from British Columbia with a trunkful of explosives, apparently intending to sabotage the Los Angeles International Airport. Critically, it was information passed from Canadian authorities that alerted US border guards about the suspected terrorist, and resulted in his arrest once he attempted to cross the US border. To the south, the administration of President Vicente Fox dismantled the notoriously corrupt Policia Judicial Federal, replaced it with the Agencia Federal de Investigaciones (AFI) to deal directly with terrorism along with a new elite anti-terrorist group to cooperate with the FBI. AFI includes ex-members of Mexico's Interpol who exchange intelligence information with over 177 countries.<sup>1</sup> Immediately after 9/11, the Mexican government detained and questioned hundreds of individuals of Middle-Eastern background, provided the US with information on terrorist suspects in Mexico, and toughened its entry conditions for many Middle Eastern and Central Asian countries.<sup>2</sup>

### ***The periphery as a security burden sharer***

Because their borders are shared, cooperation among all three North American governments can increase policy effectiveness by reducing the duplication of efforts and eliminating a counter-since productive incompatibility of divergent practices. Enhanced security harmonization can constitute forms of cost-sharing and cost-reduction for the United States.

Here, Canada has long played the more significant role, making significant financial contributions to military cooperation and joint border security. After 9/11, the Canadian government expanded this partnership by expending large amounts to smarten Canada's land border with high-technology schemes to facilitate truck inspections and allow speedier passage for citizens who have undergone rigorous security pre-clearance. Mexico has been a much more costly ally for the United States in this respect.

Despite increased cooperation in US-Mexico security policies, the Mexican state has neither the institutional capabilities to provide shared security services, nor the financial resources to share the burden of major security initiatives. As a result, the United States must often finance part of Mexico's security policies rather than the reverse. This is reflected in US financing of many elements of the US-Mexico Smart Border program of 2002, but also in the largely US-born costs of US-Mexican War on Drugs, including the Merida Initiative.

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<sup>1</sup> Fernando Romero, *Hyper-Border: The Contemporary U.S.-Mexico Border and its Future* (New York: Princeton Architectural Press, 2008): 121.

<sup>2</sup> Peter Andreas, "A Tale of Two Borders," in Peter Andreas and Thomas J. Biersteker, eds. *The Rebordering of North America* (New York and London: Routledge, 2005): 12.

### *The periphery as an architect of continental security*

Finally, Canada and Mexico's own domestic security policies can have spillover effects on US security whether for better or for worse. As a cooperative neighbour, the North American periphery can improve the continent's security architecture on its own initiative. As an un-cooperative neighbour, its policies can create critical weaknesses in what the United States considered necessary for its security architecture.

For instance, Mexico refused to participate in American military planning and defence during the Cold War. Its foreign policy determination to defend its own national sovereignty and oppose international intervention included a three-decades effort to oppose the expansion of the United States' economic and diplomatic penetration throughout Latin America. The threats to its security in the hemisphere that Washington declared in the 1980s came not from missiles but from civil wars in Central America. The Reagan administration feared that countries there could come under the control of pro-communist forces, so it viewed Mexico's support for left-wing regimes as the second biggest funder of insecurity in the hemisphere after Cuba.

Similarly, Canadian drug policy has on occasion frustrated US policymakers. While Canada, alongside Mexico, helps sustain the United States' legitimacy abroad by supporting its international narcotics control initiatives, Canada has never declared a 'War on Drugs' and has supported such alternative approaches to the US international drug certification system, as the Multilateral Evaluation Mechanism. Canada's experiments in legalizing marijuana for medical use and Vancouver's safe injection sites are seen by some Americans as undermining their fight against illegal drug trafficking in North America but by others as leading the way towards finding better alternatives to Washington's decades-long but failing war.

On the other hand, the periphery can also innovate in a manner that benefits the United States. After 9/11 Canada struggled both to assuage the security concerns of a partner that dismissed it as a "Club Med for terrorists" and to prevent choking the cross-border commercial traffic essential to the Canadian economy. Canadian diplomats claimed that the majority of the proposals that were announced as the 32-point Smart Border Declaration and Action Plan in December 2001 were initiated in Ottawa. In negotiating this detailed plan, the overwhelming US government interest was to fortify the border against terrorism. Canada's greater concern lest security policies strangle trade flows prevented a singular focus on terrorism from harming the United States' economic interests. Jointly administered programs to expedite safe traffic used new technology to separate low-risk flows of goods and people from high risk were established, including the NEXUS program to streamline the transit of those who frequently cross for business purposes and the Free and Secure Trade (FAST) program to pre-clear low-risk shipments from low risk companies.

### **Section II: Generating US Material Power**

Ultimately, a state's power derives from its economic size and vitality. Disputing sovereignty over some of the same landmass that Spain had claimed to its south and west and the British had claimed to its north and west, the young United States acquired most of its territory at the expense of the future Mexico and Canada. As US frontiers solidified, Canada and Mexico's remaining territories offered continued opportunities for US economic growth. In this section, we consider the measurable contributions of its continental periphery to the United States' economic power. Canada and Mexico are the United States' largest sources of imports, the largest markets for US exports, major suppliers of natural resources and human capital, and major sites for US foreign investment.

In the years before China's emergence as the world's largest exporter Canada and Mexico were the first and second largest trading partners making a significant contribution to US economic strength via trade effects. On balance, economic estimates suggest that 2 to 3 per cent of the United States' GDP and 2 to 3 per cent of its employment can be plausibly linked to its economic relationships with Canada and Mexico.

Trade statistics also document the enormous role that Canada and Mexico have played and continue to play in supplying their oil and natural gas to the US market. Historically, the North American periphery's contribution to the US economy through these exports was substantial but not critical. In the past fifteen years, this importance has increased significantly: Canada has displaced Saudi Arabia as the United States' largest external source of oil, while Mexico has vied for third place. Moreover, Canada ranks as the world's leading supplier of natural gas to the United States. In short, Canada and Mexico play a primary role in constructing US energy security.

Canada increasingly supplies a significant number of highly-skilled workers to the US economy through provisions in the Canada-United States Free Trade Agreement and later in the North American Free Trade Agreement (NAFTA). TN-visa use by skilled professionals from Canada rivals in quantity total labour flows by skilled professionals from all countries worldwide using H1-B visas. This immigration is complemented by a more modest supply of very highly skilled Canadian students. The number of Canadians or Canadian immigrants in the United States is not significant in aggregate terms, but Canadians there are on average more skilled and wealthier than average American workers, which suggests they make a contribution to the US economy out of proportion to their numbers. At the other end of the skills hierarchy, legally and illegally immigrated Mexicans constitute so sizeable portion of the American manual labour force that Mexicans constitute the largest foreign-born population in the United States. Mexican-born labour is a fundamental input in many low-wage US industries and has helped construct parts of the US economic infrastructure. The wage and fiscal effects of Mexican labour are contentious subjects for analysis, but do not appear to be large in their impacts on native workers or on tax flows.

Our research shows that the periphery's massive material inputs provide economic advantages to the United States that are larger than their mere economic size would lead one to expect. Overall, we find that, through their consumer markets and investment opportunities, their abundant mineral and petroleum resources, and their supply of skilled and unskilled labour, Canada and Mexico are the United States' most important foreign material sources of economic strength. The benefits of these economic relationships can be categorized along three dimensions.

### ***The periphery's role in building a more competitive US economy***

Within an increasingly integrated continental economy, trade and investment flows with Canada and Mexico have indirectly shifted production patterns to the United States' benefit by leading to more specialized and efficient production, greater economies of scale, and the faster diffusion of technology and ideas.

An increasingly liberalized trading and investment regime between the periphery and the United States has facilitated US firms' specialization in sectors where they enjoy a comparative advantage. As a result, in a number of critical sectors there has been a continental redistribution of economic activity, with upstream, low-value-added stages of production locating in Canada and Mexico and knowledge-intensive production in the United States.

For example, following the Auto Pact, core activities such as management, research, and design concentrated in the United States.<sup>3</sup> Specialization went hand-in-hand with the development of transborder production chains. On average, more than half of the value of vehicles assembled in Mexico and exported to the United States is made up of US-made components.<sup>4</sup> In the steel industry, the United States has specialized its production as a result of trade with Canada and Mexico. Canada's major exports tend to be in bars and rods, wires, pig iron, ferrous scrap, and waste, while the US positive trade balance has been driven by strong exports in higher-valued stainless and alloyed steel products.<sup>5</sup> Large Mexican exports of ingots and semi-finished steel products<sup>6</sup> allow for the further processing of these products in the United States.<sup>7</sup>

These sorts of competitive advantages have been complemented by the Canadian and Mexican trained and unskilled workers who have contributed significantly to the maintenance of US economic competitiveness. Mexican labour satisfies a need for low-skilled low-wage labour critical for the US economy's continued growth. Some economic sectors, particularly service and agricultural sectors in the US southwest, have become structurally dependent on Mexican migrants. At the same time, maquiladora industries established in Mexico after the end of the Bracero guest-worker program in the 1960s have diversified the means by which the US can take advantage of Mexico's low-cost labour resources without workers crossing the border.

Expanded cross-border markets allow American plants to enjoy larger economies of scale, reducing per unit costs and providing sufficient scale to incentivize investment in new technologies at home. Trade with Canada adds a market of over 33 million, an 11 per cent expansion in market size over the American market by population. Although 110 million Mexican consumers have a much smaller per capita income, the Mexican economy is becoming another significant consumer of US goods and services. Economies of scale can also attract foreign companies and owners of capital to locate investment, manufacturing, and jobs within the region. NAFTA's de facto expansion of the US market, for example, was seen as a way for it to become a more attractive location for capital investment from overseas.

The periphery can also be an important destination for US capital. Even if it appears relatively small in the context of contemporary US foreign direct investment (FDI) abroad, US FDI in the continental periphery played a historically transformative role. At the turn of the 20th century, firms that had developed a managerial capacity to operate plants in geographically distinct parts of the United States found in Canada a geographically contiguous and culturally friendly site for morphing their transcontinental companies into transnational corporations (TNCs).

International economic relationships also increase contact between firms and between industries, increasing the speed at which new technologies and ideas diffuse into the United States from other economies. For example, Canadian banks have operated branches and subsidiaries in the United States since 1859. The large Canadian banks have had over a century longer than US banks to develop the information management skills necessary to manage interregional branch banking

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<sup>3</sup> The Automobile Industry, *Global Value Chain*, Available at <http://www.duke.edu/web/soc142/team1/valuechain.html> (accessed 25 August, 2009).

<sup>4</sup> Michael W. Klein, Scott Schuh, and Robert K. Triest, "Job Creation, Job Destruction, and International Competition: Job Flows and Trade – The Case of NAFTA," Working Paper 02-8, Boston, Federal Reserve Bank. Available at <http://www.bos.frb.org/economic/wp/wp2002/wp028.pdf>. 19.

<sup>5</sup> Calculated from US trade balances with Canada in SITC 671-679. Information retrieved from TradeStats Express: <http://tse.export.gov> on 2 May 2008.

<sup>6</sup> Ibid.

<sup>7</sup> Ibid.

and cross-market operations at a transcontinental scale in conditions that only emerged in the United States with its financial services deregulation in the late 1990s.<sup>8</sup> As a result, Canadian banks expanded in the US economy which benefited from the direct and indirect diffusions of their technology and management expertise.<sup>9</sup>

### ***The periphery's role in building a more secure US economy***

Material inputs from the periphery are also *reliable* over time. The greater the dependence of Canada and Mexico on the US economy, the smaller is the political capacity of either of these states to interfere with trade, resource, and capital flows to or from the United States. For example, neither Canada nor Mexico could now initiate a trade war against Washington without risking serious damage to their own domestic economies.

Although the trajectory of North American economic relations has led to an almost complete liberalization, Canada and Mexico have nonetheless offered during certain periods some resistance to certain US economic demands. By resisting economic integration the periphery hampered the realization of the United States' full economic potential at a continental scale. Both countries once protected many sectors of their economies from direct competition with American production, and vestiges of these policies remain in place, particularly in the pharmaceutical and agricultural sectors. Stricter regulations and large-scale public sector purchasing had limited the profits of US brand name pharmaceuticals in the periphery. However, successful insistence by Washington during the NAFTA negotiations on stringent monopoly rights for intellectual property severely restricted Canada and Mexico's capacity to constrain US big Pharma's scope in the periphery. Their margins of manoeuvre restricted by these agreements, Canada and Mexico have emerged as the United States' most reliable trading partners.

Trade liberalizers in Canada and Mexico defended CUFTA and NAFTA on the grounds that the new legal regimes would level the playing field with their hegemonic neighbour by bringing it under a common regulatory and traditional framework. But the US government has shown it is more responsive to domestic lobbying than to such international obligations. When, for instance, after long delays caused by Washington's deliberate obstructionism, a NAFTA panel set up under Chapter 20 ruled that the US government had failed to honour its obligation -- specified in the Agreement -- to allow Mexican truckers access to its market, Washington was not obligated to change its ways and, indeed, still persists in its non-compliance. Putatively binding rulings are made by panels established under NAFTA's Chapter 19, which substitutes for domestic legal appeals of the antidumping or countervailing duty determinations made by individual states' trade-administrative tribunals. While useful in the majority of cases, the US government's refusal to comply with these rulings in its long-drawn-out dispute with Canada over countervailing duties on softwood lumber imports underlines the point that the United States can use legal instruments such as NAFTA to increase the benefits it extracts from its economic relationships with the periphery without having to sacrifice its own domestic interests which demand protection.

The periphery's current geopolitical stability also makes it a qualitatively secure energy source, although this has not always been the case. Aware of its vulnerability to political pressures in the Canada and Mexico for these countries' national resources to supply their domestic markets, the United States has attempted to pre-empt the two governments' ability to turn off the tap. In the

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<sup>8</sup> Tim O'Niell. *North American Economic Integration and its Application to Canadian Banks*. (Bank of Montreal Economics Department, 2002).

<sup>9</sup> Adrian Tschoegl. (2003). Who Owns the Major US Subsidiaries of Foreign Banks? A Note. The Wharton Financial Institutions Center, 13. Available at <http://ideas.repec.org/a/eee/intfin/v14y2004i3p255-266.html>. (Accessed on 2 May, 2008)

1970s, when the world price octupled and turned oil into a scarce resource whose supply from overseas was threatened, the political interests of central and Atlantic Canada mobilized to reorient western Canada's petroleum sector from fuelling the US midwestern economy to supplying their own market. In 1980 the ambitious National Energy Policy (NEP) was enacted to shift the energy economy from a North-to-South export orientation to a West-to-East national development mission. This proposed restructuring threatened US and Canadian corporate interests in Alberta and the United States' supply needs. In the light of this experience, Washington insisted that the Canada-US Free Trade Agreement contain proportionality and pricing clauses which secured Canadian export supplies by forestalling any reprise of Canadian energy nationalism. In effect, US agency generated through CUFTA a constitutionalization of the petroleum industry's continental integration, which guaranteed that Canada would continue to construct US energy security without having the legal capacity to constrain it.

Achieving similar geopolitical stability through a willing partnership in energy-market integration with its southern neighbour was not so easy for Washington, historically seen by Mexicans as a rapacious, even hostile power. Although the revolutionary constitution of 1917 declared Mexican sovereignty over all resources, Washington managed for 20 years to maintain its resource TNCs' operations there. Given the zero-sum nature of allocating scarce resources, Mexico's nationalization of its energy industry in 1938 declared that its own needs trumped export interests. This appropriation of the nation's resources for domestic development necessarily constrained the United States by cutting back its inflow of oil and gas until the 1970s, when the discovery of more oil and the world price hike led Mexico City to turn its public-sector oil monopoly, Pemex, into a foreign currency earner by boosting its oil exports to the United States.

But Mexico's capacity to construct or constrain the US economy is limited by its own diminishing capacity to produce oil. Starved for political reasons of the capital it needs to modernize and explore in the deep waters of the Gulf of Mexico (the government of Mexico takes some 40 percent of Pemex' revenues to fund its public services), Pemex constrains the United States by default since it cannot export as much as both provider and buyer might like. The United States' ability to expand Mexico's oil production capacity has been further impeded by constitutional restrictions and political resistance in Mexico that have limited US energy companies' participation in the oil and gas industry even under Pemex' umbrella. The work of the North American Energy Working Group within the Security and Prosperity Partnership and the related North American Competitiveness Council's reports attest to Washington's continuing effort to invest in and so bring to market Mexico's energy reserves, bringing particular pressure to bear on Mexico to break up and privatize its energy monopoly.

### ***The periphery's role in building a flexible US economy***

Finally, material inputs from its periphery are *flexible*, adaptively responding to changes in the United States' political needs and market demand. During periods of material scarcity, capital inputs from the periphery flow into the US at increased rates to meet unmet needs; during times of excess demand, however, the costs and burden of managing excess supply is borne by the periphery.

This flexibility is most dramatically represented by the cyclical flows of migrating labour across the North American continent. Canadian and Mexican skilled workers, and largely unskilled migrants from Mexico provide unusually flexible sources of human capital to the US economy.

The magnitude of unskilled Mexican migrant flows is inversely proportional to the US unemployment rate, with labour flowing into the United States during moments of economic prosperity and, when US unemployment rates climb, returning to Mexico since illegally migrated

workers have access to few US social-program benefits. This reflux effectively allocates part of the relevant costs of managing US unemployment levels to Mexico, where a large fraction of unemployed migrants have historically returned during US economic downturns. This flexibility also operates seasonally in agricultural sectors that do not provide year-round employment. While increased technological investment in US agriculture has reduced the demand for seasonal migrants, the recent emergence of more low-skilled assembly-line jobs, including in the meatpacking industry, have increased Mexican migrants' contributions to the US economy.

Mexican migrants provide more than just geographic and seasonal flexibility. They also act as entrepreneurial shock absorbers for domestic US businesses. Without having to provide them long-term Social Security or contractual guarantees, companies can change their production processes, spread their transition costs over longer time horizons, and so adapt more easily to changing economic conditions<sup>10</sup> by using Mexican labourers who are more willing than other unemployed labour groups to accept more precariousness in their working times and little job security.<sup>11</sup> This responsiveness can raise the demand for their labour in periods of economic decline and turbulence. By integrating undocumented migrants into production processes with no job security and low wages, Mexican labourers have cushioned the effects of turbulent global economic conditions on US companies.

Skilled migrants provide a more modest, but similar flexibility for the US economy. On a temporary basis, Canada provides a substantial number of skilled labourers to the United States, significantly more than any other international player, and by some criteria more temporary skilled labour annually than the rest of the world combined. While the impacts of these skilled labour flows are more difficult to quantify than is the crucial contribution of Mexican labour to US economy power, there is some evidence that these skilled temporary migrants do meet a number of significant economic needs in certain high-skilled sectors of the US economy and help the US economy expand both its productive and innovation capacity.

While the North American periphery is the most important external provider of US security and the most important foreign source of US economic power, Canada and Mexico's role in supporting the projection of US power abroad has been more modest.

### **Section III: Transmitting US Power Abroad**

So far in our analysis, the North American periphery's importance for the United States has been directly related to its geographical proximity. As nation-states participating in the international system, Canada and Mexico can also promote or frustrate the United States' own international efforts. But their roles vis-à-vis US foreign policy have varied greatly depending on the issue and the national interests or values at stake. On the one hand, the two countries buttressed US global power by spreading the norms that buttressed US global economic hegemony when they negotiated their own trade and investment treaties with other states. On the other hand, they also made concerted efforts to restrain US foreign policy and cultural influence through negotiating such multilateral governance instruments as the International Criminal Court and the UNESCO convention on cultural diversity. Canada helped the United States resist and undermine the multilateral Kyoto protocol, but both Canada and Mexico thwarted US foreign policy in Cuba and Central America.

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<sup>10</sup> Cornelius 1989a, 4.

<sup>11</sup> Cornelius 1989a, 4.

Important allies in some initiatives, while difficult opponents in others, Canada and Mexico have shown three characteristic types of interaction with US global governance efforts.

### *The periphery as an ally*

The periphery can act as a direct ally. Many global initiatives depend on a critically sized negotiating bloc to create sufficient bargaining momentum to achieve success, and Canada and Mexico have often been necessary members of a US negotiating bloc, thus increasing the viability of US multilateral initiatives.

For example, both Canada and the United States were catalysts in mobilizing the international community behind efforts to eliminate the emission of chemicals responsible for causing the depletion of the ozone layer. Although there is little dispute that Washington's efforts were instrumental in achieving the ozone regime, it could not have secured adequate support for the treaty on its own. Canada's positions often supported, and sometimes even guided, US policies at these negotiations. When the United States changed course and shied away from its previous lead-state role, an alternate negotiating bloc was formed with full Canadian support. This Toronto Group called for the launch of negotiations for an international CFC emissions-reduction protocol. Its success triggered the American public's frustration over the inconsistencies of its government, causing Washington to reverse its decision to withdraw full support from the ozone regime. This case illustrates how Canada supported the United States in its global project, but also blocked its attempt to change directions.

In the Montreal Protocol, both the United States and Canada played an environmentally progressive role in placing a ban on CFCs. The opposite was the case for Kyoto, as the White House was home to a much less environmentally friendly president and the economic costs for the US economy of addressing climate change were far higher than were those of ozone depletion.

US policy at the climate-change negotiations fluctuated substantially from the Clinton administration's original support for the Kyoto protocol to its repudiation by the Bush administration's famous "un-signing." Canada's ratification of Kyoto alongside other important members of the Umbrella group helped to bring the agreement into force. To the United States' chagrin at the time, this strengthened Kyoto's standing as a legitimate framework from which to combat climate change. However, Canada's failure to meet its Kyoto reduction targets, the introduction of its 'made-in-Canada' approach, its decision to join the US-led Asia Pacific Partnership, and its support for the United States' call in 2007 for developing countries to adopt mandatory emission reductions, all supported the Bush administration's efforts to promote a weaker alternative agreement separated from the UN-ratified Kyoto track. US resistance was made more legitimate when Canada publicly announced it was defying its legally binding Kyoto commitments by breaking them.

In other instances, Canada and Mexico have worked actively against US diplomatic priorities. Mexico and Canada were the western hemisphere's two most important political supports for Cuba during the Castro regime's establishment, consolidation, and maturity. That these countries did not carry the Soviet Union's ideological stigma made their support especially valuable by providing Castro greater legitimacy. The two US neighbours contributed significantly to Cuba's economic survival after the communist superpower's collapse by helping it earn crucial hard currency through trade, investment, and tourism. The failure of Washington's embargo is understood in the United States as Moscow's work, but in the early 1990s when Cuba felt the worst effects of the Soviet Union's demise and when the United States was still passing legislation designed to tighten its embargo, Mexico and Canada became crucial for Havana.

While their support became relatively less important than Spain's and Venezuela's after the mid-1990s, both were major allies during that decade.

Despite the fact that neither Canada nor Mexico were willing to jeopardize their bilateral relationship with the United States for Cuba's sake, both felt the political imperative to satisfy domestic sentiment by pursuing what they felt to be an independent policy stance, one that upheld their traditional foreign policy tenets that differentiated them from the United States. This was especially true in the wake of perceived US economic domination of Canada. The commercial relations that drove the Canada-Cuba relationship buoyed the tradition of recognizing, and trading with, foreign governments in spite of ideological differences. At the same time, the United States proved unwilling to let its Cuba policy negatively affect its relationship with its two allies and so the White House accommodated Canadian and Mexican protests against the Mack amendment and Helms-Burton legislation by vetoing the former and waiving Title III of the latter. When Castro retired in 2008, he did so on his own terms, having seen the Revolution through almost fifty years of an embargo, no less than ten US presidents, and some 600 plots on his life – one attempt as late as 2000.<sup>12</sup> Castro's victory was in large part the result of international economic and diplomatic partnerships. As neighbours with highly integrated economies and societies, no two countries were more vulnerable to US pressure than Canada and Mexico, a dependency which made their contributions to Cuba's revolution all the more remarkable.

### ***The periphery as a legitimating force***

The periphery can generate moral support, boosting the legitimacy of US foreign policy, or manifest a resistance that delegitimizes US initiatives. Canada and Mexico have often bucked the US multilateral line, creating a sense that they act as independent international agents, more concerned with multilateral ideals and hemispheric sovereignty respectively. This has allowed the periphery to act, in some circumstances, as independent moral arbiters of US multilateral policy,

During the Cold War era, Ottawa consistently helped legitimize the United States' military and ideological struggle against communism by contributing militarily to US overseas conflicts. Though relatively minor disagreements arose over the means of achieving US objectives, Canada accepted and promoted US ends.

This pattern repeated itself in the post 9/11 era. Exceptions to Canada's overall trend of co-operation include its formal (but not actual) non-participation in the Iraq campaign as well as its formal (but not actual) non-participation in the US Ballistic Missile Defense System. Beyond bringing security, defence, and border policies in closer alignment with those of the United States through its renewed commitment to NORAD and its participation in the Security and Prosperity Partnership of North America, at its core Canadian foreign policy provided significant support for the Bush administration's War on Terror. On the strategic level, Canada provided the primary counter-insurgency force against the Taliban in southern Afghanistan until the Obama administration's military surge there.

By contrast, during the Cold War era, Mexico used its involvement in international forums as a means of resisting US hegemony. Exemplified by its participation in UNCTAD, this non-aligned era resulted in Mexico's persistent attempts through multilateral organizations to constrain the United States' ability to use the threat of communism as a pretext for intervention in the affairs of Latin American states.

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<sup>12</sup> Duncan Campbell, "638 Ways to Kill Castro," *The Guardian*, Aug. 3, 2006. <http://www.guardian.co.uk/world/2006/aug/03/cuba.duncancampbell2> (Accessed on Apr. 23, 2009).

While Mexico's current foreign policy is markedly more conservative and more multilateralist than its Cold War predecessor, similarities have emerged in the post-2001 era. Most notably, the notion of non-intervention has made a comeback as a key component of Mexican foreign policy, evidenced by Mexico's crucial role, as a member of the Security Council, in denying UN approval for the US invasion of Iraq. It also withheld support for the US war in Afghanistan both rhetorically and materially. As in the Cold War, Mexico's foreign policy is again de-aligned with the United States but multilateral in its involvement with international organizations.

In another domain, Canada and Mexico have played pivotal roles in legitimizing US global economic hegemony. Both the Canada-US Free Trade Agreement (CUFTA) and the North American Free Trade Agreement (NAFTA) created precedents for other agreements that were later incorporated in the World Trade Organization.

Concurrent with the logjam in the Uruguay Round's multilateral trade negotiations, the North American periphery's shift from resisting neoconservative market policies to accepting them in the 1980s provided the United States with alternate avenues for promoting its trade agenda. By moving from nationalist economic policies to neo-liberal market policies under the Mulroney and Salinas governments and by signing CUFTA and NAFTA, Canada and Mexico not only entrenched US norms on the North American continent but lent force to US demands in global forums. The WTO's ultimate dispute settlement mechanisms and General Agreement on Trade in Services drew directly from CUFTA, and NAFTA provided the framework which resulted in the WTO's agreements on Trade-Related Investment Measures and Trade-Related Aspects of Intellectual Property Rights.

Having legitimized US norms, the periphery can occasionally become their global torchbearer, spreading US aims and objectives to third parties. Both Canada and Mexico have signed further third-party trade treaties that significantly propagate US-style investment and economic norms, and so indirectly promote US economic interests. In particular, such third-party agreements have propagated 'NAFTA-type rules and disciplines,' including granting investors national treatment, and setting up investor-state arbitration tribunals.

### ***The periphery as a neutralizing force***

The periphery's ambivalent obsession with its neighbouring colossus has occasionally made it a significant player in attempts to blunt US power abroad. Canada played a leading role in negotiating both the treaty that created the International Criminal Court (ICC) in 1997 and the 2005 UNESCO convention on cultural diversity. Mexico's role was more limited in both endeavours.

Liberal observers who valued US soft power expected that the ICC's new global norms -- which exemplified a collective model of human rights enforcement that is jointly administered and universally applied -- would strengthen the architecture of human rights and so buttress a US hegemony based on its foundations in Wilsonian internationalism. Realists who focused on US hard power perceived the ICC as restricting the unilateral deployment of US military assets in the international arena. Their approach and the one favoured by the Pentagon essentially gave American military personnel an exemption from the international enforcement of human rights. Both Canada and Mexico played key roles in having the Treaty of Rome incorporate the collective model and reject an exception for the United States, making the ICC a potentially significant constraint on the global projection of US power.

The UNESCO Convention on the Promotion and Protection of the Diversity of Cultural Expression was designed explicitly as a constraint on US cultural hegemony. Canada assumed a

leading role in developing the Convention through its cultural diplomacy and its partnerships with NGOs in various international policy networks. Mexico's support for the Convention was ambivalent because of an internal conflict between its cultural and economic institutions: Mexico signed the convention but it made a reservation to the effect that the Convention was not to conflict with the provisions of the WTO -- a qualification that essentially negated its signature. By contrast, Canada's role in supporting the UNESCO convention has constrained US legitimacy and the global dominance of its entertainment industries by encouraging national governments to formulate policies for the protection of their own cultural industries.

Multilateral norm-building in the areas of human rights and cultural security based on the collective interests of the international community only constrains the United States if its power is defined in terms of hard power as was the case during the Bush administration. Were Washington to adopt a more liberal-internationalist worldview, these initiatives could be construed as supporting a more consensual and heterarchical use of its hegemonic power.

### **Conclusions**

Our enquiry suggests first that, when viewed within the context of North America's political economy, Canada and Mexico are two of the most important foreign contributors to assuring the United States' security and building its economic strength. On the broader global stage, the two US neighbours deviate occasionally from their generally supportive roles by launching diplomatic initiatives or sustaining positions that can counter the exertion of Washington's power.

Canada and Mexico are first and foremost crucial neighbours who, by their geographical contiguity and political commitments, affect US security along three principal dimensions. Both Canada and Mexico have helped determine the global boundaries of US military might in overseas defence by providing/refusing hard military assets for US-directed defence initiatives or by conferring/withholding legitimacy on Washington's military efforts.

While Canadian and Mexican drug cartels are the largest foreign suppliers of the narcotics that undermine US social security, the two governments' cooperation is deemed by Washington to be crucial to domestic security through its 'war on drugs.' Similarly, because Washington defines US physical security in antiterrorism terms, it considers Canadian and Mexican governmental cooperation and policy harmonization on border security measures as essential.

The continental periphery is a reliable, major supplier of energy to the United States and still holds resources which Washington defines as central to its foreseeable energy security. The brain drain from both countries has built US human capital, and the flexible flow of unskilled Mexican migrants fills US labour market requirements as needed. In broader economic terms, the free flow of goods and capital has created more and better-paying US jobs and has expanded US firms' profitability, efficiency, and investment horizons.

When the context shifts beyond the continental to the global stage, Mexico and Canada interact with the United States as two mid-sized actors. Canada and Mexico support the United States' global economic power by negotiating their own trade and investment liberalization agreements with third parties and through their interactions with US multilateral environmental diplomacy. But Canada has also taken the lead in developing two regimes that limit US military unilateralism and cultural dominance abroad. For its part, Mexico has at times offered determined opposition to US policies in the Western hemisphere, particularly in Central America during the Reagan administration. Together, Canada and Mexico provided the strongest support for Cuba outside the Soviet bloc, frustrating Washington's efforts to overthrow Fidel Castro's government.

At a time when the military, economic, and moral dominance of the United States is in jeopardy, a more comprehensive appreciation of the various ways in which other countries construct or constrain US power is required. A systematic analysis of how two countries -- in our study, Canada and Mexico -- buttress and sometimes oppose their overwhelming neighbour provides one way to open this academic enterprise. That these two countries are generally considered of only moderate significance within the Beltway is a tribute to Washington's success over the last century and a half in turning potential military threats and economic competitors into security supports and market assets. In the Canadian and Mexican policy communities, of course, the two bilateral power relationships with Washington are never of moderate significance. Whether Canada and Mexico's actual importance in constructing or constraining US power could be translated into actual influence is quite another issue.