



## Why Mexicans Don't Drink Molson:

Rescuing Canadian Businesses from the Suds of Global Obscurity

by Andrea Mandel-Campbell

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REVIEWED BY ROBERT A. PASTOR

Canada has more fresh water than any other country and is the second largest producer of barley—the two main ingredients of beer. Yet Canadians drink more Corona than Mexicans drink Molson. “How did this happen?” asks Canadian journalist Andrea Mandel-Campbell, former *Financial Times* Mexico bureau chief, in her latest book. The question, posed with a mix of regret and exasperation in *Why Mexicans Don't Drink Molson: Rescuing Canadian Businesses from the Suds of Global Obscurity*, provides the basis for a welcome rebuttal to the populist protectionism fanned by commentators in North America.

Lou Dobbs, for example, treats his CNN audience to a seemingly endless stream of anecdotes of U.S. companies that have closed shop and moved jobs abroad. In a declining economy, his reports have reinforced many Americans' fear of global competition and persuaded politicians to propose new variations on the old protectionist theme. Dobbs has a counterpart in Canada: Maude Barlow, head of the Council of Canadians, a nationalist group that has long campaigned against the North American Free Trade Agreement (NAFTA). Opinion leaders like Dobbs and Barlow have helped create a climate in

which the idea of repealing NAFTA is being seriously considered.

Drawing on a decade of experience as a journalist in Latin America, Mandel-Campbell offers a fresh antidote to this protectionist world view. The Molson story provides her with a hook to draw a contrast between Canadian businesses that succeeded after investing abroad and those that failed by remaining insulated at home.

Molson fumbled in its first effort to enter the Brazilian market—a setback that made it less inclined to try again in Mexico or elsewhere. But Molson's competitiveness, according to Mandel-Campbell, is undermined by inter-provincial trade barriers and by the Canadian Wheat Board, a quasi-public marketing agency established by Parliament in the 1940s, which ensures commodity prices for wheat and barley growers. For Mandel-Campbell, beer production is a metaphor for the protectionist approach still prevalent in many parts of the Canadian economy.

But not the entire economy. Some young Canadian entrepreneurs are at the cutting edge of global business. A few examples cited by Mandel-Campbell include Jim Balsillie, co-chief executive of Research in Motion, developer of the BlackBerry; and Jeff Skoll, the first CEO of eBay and the

guiding force behind the spectacularly successful Participant Media—a global production company founded in 2007. However, her book is not simply intended to laud these entrepreneurs, nor respond to the Lou Dobbses and Maude Barlows of the world. She wants to shake up the rest of the Canadian business establishment. “When it comes to the rest of the world, Canadians are armchair travelers, rarely roused from the familiar contours of the ‘intramestic’ American market,” she writes.

Canada is less productive and creative, she argues, because of policies that continue to protect key sectors like the banking and dairy industries, while supporting state monopolies that undermine the country's natural resource advantages. There are some Canadians who fault their government for failing to provide even more protection, but Mandel-Campbell warns that the decline of Canada's steel and textile industries should offer an object lesson in what happens when protectionism lasts too long. In both these sectors, the lifting of government subsidies to expose them to competition came too late.

The book illustrates that the path to prosperity is global. Canadian companies should invest abroad to boost their trading potential. New immigrants also should be recruited to the highest levels of the corporate structure. This would help corporate leaders understand how to enter the world's markets.

Her thesis—that global competition is required for economic success—is on the mark and convincing, but the book fails to describe ways in which Canadian firms have progressed abroad. For example, many Canadians feared that NAFTA would lead to a wholesale takeover of Canadian industries by U.S. companies. However, the far more interesting outcome is that it has resulted in a higher rate of Canadian investment in the United States than U.S.

investment in Canada.

Overall, Canada became a net capital exporter over the past two decades. In 1986—on the eve of the U.S.-Canadian Free Trade Agreement—Canada sent abroad \$47 billion in foreign direct investment (FDI) and reported \$70 billion of FDI entering the country. By 2005, those numbers had flipped. Outward-directed FDI totaled \$400 billion while FDI at home reached \$357 billion. That amounts to a more than six-fold increase in inward and outward foreign direct investment in just under 20 years—a rather sizeable degree of internationalization. In that time, trade increased from 44 percent to 72 percent of GDP, elevating Canada to become the most trade-reliant country among the Group of Eight. Mandel-Campbell is undoubtedly correct that Canada could do much more, but Canada is improving its standing.

The book correctly points out that Canada has not diversified its trade and investment by moving into new markets. But it overlooks a key point: the transformation of the Canadian economy due to both NAFTA and increasing overall economic openness. Canada's trade with Mexico is still small but it increased ten-fold since NAFTA came into effect. Not

coincidentally, Mexican-directed FDI increased fourteen-fold, from \$190 million to \$2.6 billion.

Mandel-Campbell could have analyzed how greater trade and investment with Mexico and the U.S. changed corporate structures. Have corporate leaders become more "North American?" Has their modus operandi changed? The truth is that NAFTA succeeded in fulfilling its original goals—reducing and eliminating trade and investment barriers. Trade among the three countries has tripled and investment has quadrupled. The North American economies are now more integrated, generating both socioeconomic benefits and serious anxieties. But all three governments have failed to keep pace with market expansion and to construct a safety net for those negatively affected by increased competition. Businesses also need to play a larger role in sharing the benefits of freer trade among all people. These are reasons why North American integration has stalled, and why new leaders are needed.

*Why Mexicans Don't Drink Molson* is a snappy call to arms to all Canadians by someone who is cheering for her home team. Canada could rise to become a global leader, but "the

question is whether it wants to be one," writes Mandel-Campbell, who spent three years researching the book. She writes with verve and appreciation for a good story. And she refuses to let Canada off the hook. "There is barely a corner of the Canadian economy that is not in some way hobbled by interventionist policies that stifle entrepreneurship and condemn Canadians to being inward-looking commodity producers," she writes.

The book is hard on fellow Canadians for good reason. It illustrates that the wherewithal does exist—if properly pursued—for Canada to be more creative and productive. And her prescription is applicable not just to Canada. "To get our proper bearings, we will need a new compass...more accurately attuned to the global marketplace," she argues. Canadians who believe their country can do better, as well as those who recognize the importance of global competition, should consider this book a must read.

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