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2017

# NAFTA's biggest loser: the US, after Canada and Mexico get rich trading marijuana

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## Publication Details

L. Gomez Romero, 'NAFTA's biggest loser: the US, after Canada and Mexico get rich trading marijuana' (2017) 16 May The Conversation 1-5.

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# NAFTA's biggest loser: the US, after Canada and Mexico get rich trading marijuana

## **Abstract**

Mexico and Canada are about to turn medical cannabis into North America's most lucrative new market.

## **Disciplines**

Arts and Humanities | Law

## **Publication Details**

L. Gomez Romero, 'NAFTA's biggest loser: the US, after Canada and Mexico get rich trading marijuana' (2017) 16 May *The Conversation* 1-5.

## NAFTA's biggest loser: the US, after Canada and Mexico get rich trading marijuana

May 16, 2017 4:37pm AEST



Will Trump's America lose out on the next big thing in business? Blair Gable/Reuters

The president of the United States, Donald Trump, prides himself on his business acumen. But his protectionism may get America a truly bad deal when it comes to North America's next big market: marijuana.

Fulfilling a campaign promise, on April 13 Canadian Prime Minister Justin Trudeau presented a bill to legalise cannabis for recreational uses (medical marijuana has been legal in the country since 2001).

Two weeks later, Mexico's Congress followed suit, passing a bill to authorise cannabis use for medical and scientific purposes.

Two of three North American countries are now well positioned to unlock an industry that, according to Forbes magazine, was worth an estimated US\$7.2 billion in 2016 and is projected to grow at a compound annual rate of 17%.

In the US, on the other hand, a protectionist administration has threatened to withdraw from the "terrible" North American Free Trade Agreement (NAFTA) and actively relaunched the US drug war. It looks like America's businessman president may allow his country to miss out on the cannabis boom.



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Canada will soon become the second country in the world, after Uruguay, to legalise and regulate recreational marijuana.  
Chris Wattie/Reuters

### **Prohibition is a commercial disaster**

Medical marijuana research is a growth industry. Cannabinoids, a main (non-psychoactive) chemical component in marijuana, hold significant prospects for development in the pharmaceutical industry, as potentially does tetrahydrocannabinol (THC), the ingredient that makes users feel high.

Marijuana has been scientifically proven to soothe the effects of chemotherapy, treat glaucoma and ease some chronic pain. But many fields of inquiry remain untapped, thanks in large part to stringent US laws that classify cannabis as a Schedule I drug. That's the most tightly restricted category, reserved for substances with "no currently accepted medical use."

Pharmaceutical companies are keen to further disprove that thesis, knowing they will soon be able to patent cannabis-based medicines in both Mexico and Canada. Patients and doctors, too, have pleaded for restrictions on medical marijuana research in the US to be eased.

In the US, eight states and Washington, DC, have also legalised recreational marijuana. A total of 29 states plus the nation's capital have legal medical cannabis.

But US Attorney General Jeff Sessions (who has declared that he "rejects the idea that America will be a better place if marijuana is sold in every corner store") and Homeland Security chief John Kelly (who has erroneously called marijuana a "dangerous gateway drug") consistently overlook this fact.

The Trump administration is determined to revamp prohibitionist policies. In a radical rollback of Barack Obama's compassionate approach to nonviolent drug offenders, Sessions has actually ordered federal prosecutors to charge suspects of any drug-related crime with the "most serious, readily provable offence", or whichever crime entails the harshest punishment.

This move will have well-documented implications for law enforcement. In 2015, marijuana arrests outweighed those made for all violent crimes combined, including murder and rape, 574,000 to 505,681, according to the NGO Human Rights Watch.

Now America's drug war will have commercial consequences too. In the US, the National Institute on Drug Abuse has developed research mainly on the negative effects of cannabis, only marginally considering its potential medical uses.





Much of the medical potential of cannabis remains unexplored. John Vizcaino/Reuters

Medical trials conducted on human beings require permission from several federal agencies, including the Department of Health and Human Services, the Food and Drug Administration, and, when it comes to illegal substances, the Drug Enforcement Agency. That makes getting clearance for cannabis trials unduly complicated.

The inconsistencies between federal and state legislation also discourage research because they do not offer a secure legal ground for patenting cannabis-based medicines. Potential investors in medical cannabis are forced to consider not only corporate competition but also criminal prosecution.

Likewise, because budding American cannabis producers struggle to access investment funding, the industry's growth potential remains stunted.

### **Outsmarting Trump**

If all of this sounds bad for American investors and patients, it's good news for Mexico and Canada.

The Mexican medical marijuana bill championed by President Enrique Peña, who is not a bold politician, is quite limited. It emerged in response to the story of Grace, a profoundly epileptic eight-year-old girl for whom cannabis oil, illicitly administered by her desperate mother, proved a literal lifesaver.



The story of eight-year-old Grace won Mexican hearts.

By removing from cannabis the legal label of "forbidden plant", the law will enable it to be used for medical or scientific purposes and permit the health ministry to conduct clinical research.

In legal terms, Mexican cannabis is now a commercial good that falls under NAFTA's purview. Medical cannabis is estimated to bring in between US\$1 billion and US\$2 billion to Mexico over the next ten years.

Canada is making a bigger bet on marijuana. Once its cannabis-regulation bill is implemented in July 2018, it will become the second country in the world to fully legalise marijuana, after Uruguay. It will stop short of establishing an open market, though; provinces will decide where and how marijuana

may be sold and priced, in conjunction with the federal government.

As in Mexico, Canadian cannabis will comprise a commercial good. Its medical marijuana market is expected to be worth US\$1 billion by 2020, while recreational marijuana prospects run as high as US\$22.6 billion.

Once both countries' systems are up and running, cannabis trading between Mexico and Canada can begin. The world's first cannabis-focused exchange traded fund has already opened on the Toronto Stock Exchange.



Trump signs an executive order to establish an office of trade and manufacturing policy as part of his campaign to revamp US trade deals. Carlos Barria/Reuters

In theory, Canada and Mexico could also trade medical marijuana with dozens of US states. But given the current administration's "America First" motto, anti-Mexico rhetoric and fearmongering about drugs, that may prove difficult.

### **The biggest losers**

The federal government is also forcing the US to miss out on something more valuable than profit: improving public health and social well-being.

Drugs in general and cannabis, in particular, can do harm if misused. But they are far less dangerous than the drug war itself. After all, the health risks associated with legal cannabis can be prevented by strict packaging and labelling guidelines.

For Canada, which has long been progressive in its drug policy, cannabis legalisation should continue to reduce the harm created by the illicit drug trade.





The drug war is far more deadly than drugs themselves. STR/Reuters

Mexico's bill has more radical implications for health and public safety. An average of 51 people die every day in the country's violent drug war. That's so many homicides that male life expectancy has actually dropped by more than half a year since 2010.

For many Mexicans, the revenue from medical marijuana is less important than the possibility of rolling back the deadly drug war. The country's timid steps towards legalising medical marijuana have begun a critical process of democratic deliberation around using the military for law enforcement in the war on drugs.

As for the US, it needn't miss out. If only to keep America from falling behind Canada and Mexico, a scenario that would haunt its president, Trump could take action to improve the health, wealth and safety of his people. And that, to use his own words, would actually be a "fair deal for all".

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