

[HOME](#) [WATCHLIST](#)[GIFT THE GLOBE](#)

Southbound

The CEO of Canadian Pacific Kansas City, the first North American railway, is pitching his trains as a way for businesses in Canada and Mexico to bypass Trump's America. Will they take him up on it?

JASON KIRBY

THE GLOBE AND MAIL

PUBLISHED MAY 3, 2025

50



Rows of freight trains sit idle at the CPKC Sánchez rail yard near Nuevo Laredo, Mexico in May, 2024. CPKC is the only rail network to seamlessly connect Canada, the U.S. and Mexico.

ALEJANDRO CEGARRA/THE GLOBE AND MAIL

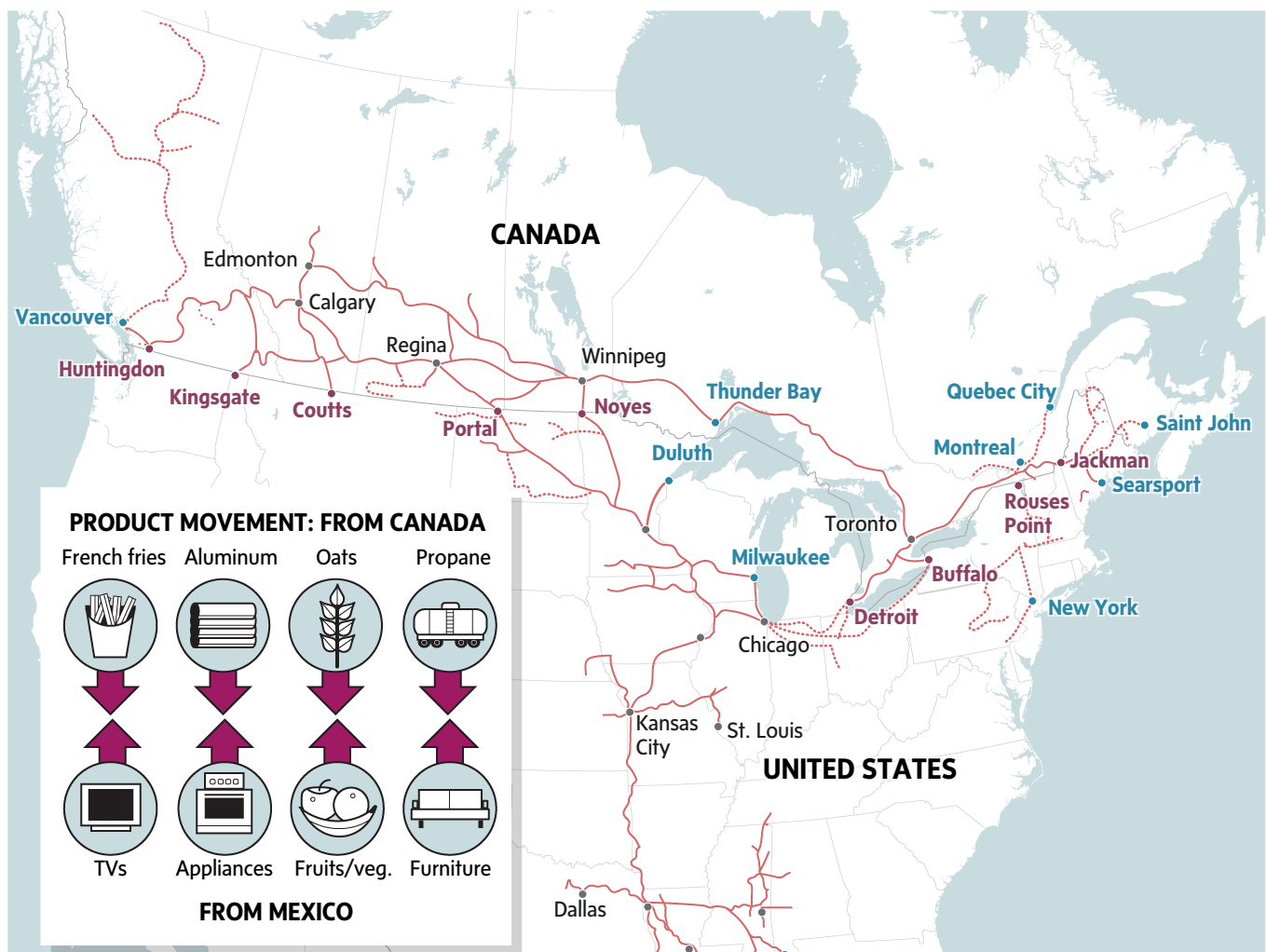
In late March, a train hauling rail cars filled with oats set out from a mill north of Regina and headed for the United States.

No surprise there. Each year, the U.S. imports roughly \$500-million worth of the nutrient-rich cereal grain from Canada, making it the largest market for Canadian oats by far. Nearly every oat product Americans consume hails from the Canadian Prairies, whether that's oat milk in their lattes, as cereal or as the key ingredient in "Oatzempic," a blended beverage popular with the TikTok weight-loss crowd.

But the train, operated by Canadian Pacific Kansas City Ltd., didn't unload its freight in the U.S. Instead, it sped right through the country to its final stop deep in Mexico, which has emerged as a fast-growing alternative market for Canadian oats.

A "land bridge" across America for Canada-Mexico trade

When Canadian Pacific first proposed a merger with Kansas City Southern, the goal was to create the first and only North American rail network and benefit from tighter integration between Canada, the United States and Mexico. Now with the U.S. trade war, CPKC is pitching itself as a "land bridge" for companies in Canada and Mexico to bypass America and trade with each other. In recent months, a number of products have started to move between the two countries along its tracks.





MURAT YÜKSELIR AND JOHN SOPINSKI / THE GLOBE AND MAIL, SOURCE: CANADIAN PACIFIC KANSAS CITY LTD.



DAVID EULITT/THE GLOBE AND MAIL



CPKC's Final Spike Steam tour, which saw its iconic 2816 steam locomotive known as "The Empress" make a cross-continental journey from Calgary to Mexico City, is greeted by rail enthusiasts at a stop in Kansas City on May 18, 2024.

DAVID EULITT/THE GLOBE AND MAIL

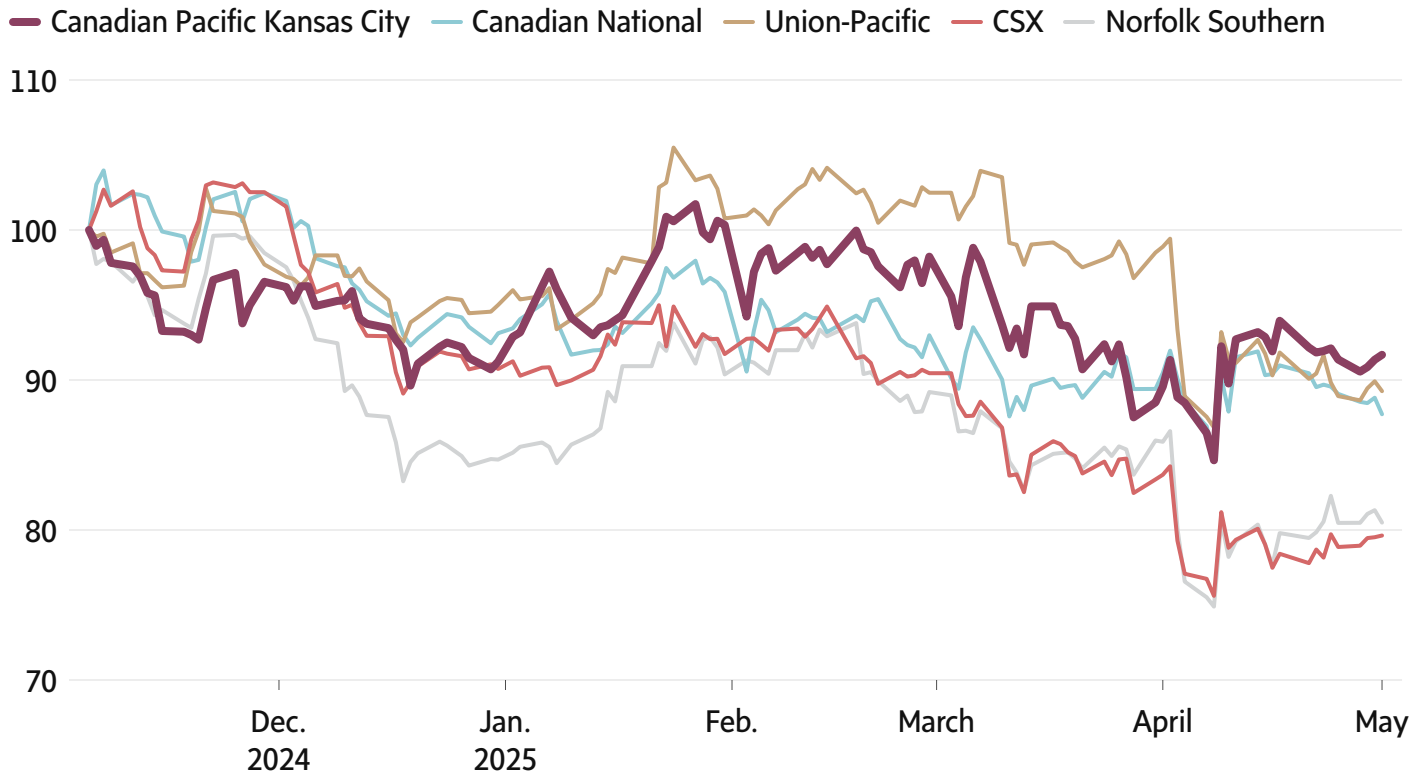


Keith Creel, president and CEO of CPKC, was at Kansas City's Union Station to greet the nearly century-old locomotive and its crew on the journey meant to celebrate completion of the continental connection.

DAVID EULITT/THE GLOBE AND MAIL

Railroad stocks since Trump's election

Index of share price performance, 100 = Nov. 5, 2024



THE GLOBE AND MAIL, SOURCE: MARKETWATCH

For CPKC chief executive officer Keith Creel, the debut of the 4,800-kilometre oat express from Canada to Mexico – the first single-line service of its kind that requires no interchanges or rail transfers – represents an emerging bright spot for the railway and many of its customers at a time of extreme uncertainty.

Born out of the 2023 tie-up between Canadian Pacific and Kansas City Southern (KCS), CPKC became the only rail network to seamlessly connect Canada, the U.S. and Mexico. It was a US\$27-billion bet that CPKC would reap decades of profits from an increasingly integrated North American market, with the powerful U.S. economy at the centre of it all.

Then Trump 2.0 happened, and CPKC, like all railways that haul goods across borders, has been left scrambling to deal with the tariff fallout. CPKC's solution, for its Canadian and Mexican customers at least, is to now help them bypass the U.S. altogether and trade more with each other.

CPKC head says railway can withstand a trade war ignited by Trump

"We've become a land bridge across America," said Mr. Creel in an interview. He rhymed off some of the other products CPKC has recently begun hauling between the two markets, including aluminum, refined fuels, French fries, furniture and fruit.

It's a strategy that, to fully succeed, depends on the long-neglected trading relationship between Canada and Mexico sparking to life. That's no easy task. After all, with such a large consumer magnet sitting between them, businesses in both countries have naturally gravitated to the U.S., largely ignoring each other in the process.

But as U.S. President Donald Trump tries to force manufacturers and producers to move their operations from Canada and Mexico to the U.S. by erecting tariffs to discourage imports, a scramble is on to find customers and suppliers in new markets away from the U.S.

"This crisis has created uncertainty but, at the same time, it's been a huge motivation to create new trade opportunities that frankly would not have occurred for a decade or even longer," said Mr. Creel. So, after years of shipping Canadian and Mexican goods into the U.S., "now we're connecting the bookends."

From the start, Mr. Creel has framed the creation of CPKC in historic, continent-building terms. Just last year the company celebrated the deal by running restored steam locomotive 2816 from Calgary to Mexico City and back, with a stop at the Kansas City, Mo., yard where the CP and KCS rail networks connected and where Mr. Creel had previously hammered a ceremonial last spike.

And having watched businesses rush to bring their supply chains closer to home amid the COVID-19 pandemic, in a process known as nearshoring or friendshoring, Mr. Creel's resolve only strengthened. As he told investors during one 2022 conference call, "there's never been a greater need for positive free trade between Mexico, Canada and the United States."

Of course, with Mr. Trump rhetorically eviscerating America's northern and southern allies and erecting tariff barriers against them, much of the pre-Nov. 5, 2024 world of global trade can seem otherworldly.

To be clear, Mr. Creel doesn't for a moment believe the concept of North America as a deeply-intertwined trading bloc will come to an end, despite Mr. Trump's apparent best efforts. The practicalities and market efficiencies that bind the three countries are too powerful, he said, while the threat from global rivals such as China means "we all will still need each other."

Nevertheless, the dynamic between the U.S. and its trading partners will be changed by Mr. Trump, Mr. Creel predicted, with each country becoming "stronger and more independent." And CPKC can "uniquely enable and uniquely facilitate" that body-building exercise with its single-line rail network, allowing shippers to seamlessly move bonded freight across the U.S. without the need to clear American customs, faster than trucks or rival railways can.

Trade is massively important to the railway. In 2024, roughly 41 per cent of the company's \$14.2-billion in revenue was generated by cross-border traffic.

That uncertainty has been reflected in CPKC's stock price, which has been battered down since Mr. Trump won last November's election, though the company has fared better than many other railways.

One reason for the relative outperformance is the flexibility the CPKC deal has given the combined company to develop trade corridors that didn't exist prior to the merger, said Will Guy, an analyst at Veritas Investment Research who covers CPKC and has a "buy" recommendation on the stock.

On Wednesday, CPKC reported its first-quarter results, which beat expectations in part because of new Canada-Mexico direct trade.

"With the optionality of touching all three nations and having access to multiple ports, the company has quite a number of growth levers it can pull," said Mr. Guy.

"You're seeing that with the land bridge between Canada and Mexico."

The oat-laden train that left Saskatchewan in March isn't the only new product being hauled from Canada to Mexico on CPKC's rails.



The Patrick J. Ottensmeyer International Railway Bridge, named after the former Kansas City Southern (KCS) CEO, spans the Rio Grande from Laredo, Texas, to Nuevo Laredo, Mexico.

ALEJANDRO CEGARRA/THE GLOBE AND MAIL



Locomotive operators work at the Sánchez rail yard, administered by CPKC in Nuevo Laredo, Mexico, which was expanded in 2021 to increase capacity.

ALEJANDRO CEGARRA/THE GLOBE AND MAIL



A security guard checks the Mexico Midwest Express, a CPKC train providing single-line service between the U.S. Midwest and Mexico, before it crosses the international bridge.

ALEJANDRO CEGARRA/THE GLOBE AND MAIL



The Sánchez rail yard houses facilities for maintenance, shifted-load handling, customs inspection, and a large classification yard.

ALEJANDRO CEGARRA/THE GLOBE AND MAIL

In mid-March, the railway began moving weekly loads of Mexico-bound frozen French fries produced in Alberta by McCain Foods Ltd. to Laredo, Tex. For now, the fries are offloaded there and put on trucks for the final leg into Mexico because the railway does not have cold storage capabilities there.

That will change soon. Later this year the company is aiming to open its first refrigerated facility in Mexico in co-operation with Americold Realty Trust Inc., with other chilled warehouses underway in Kansas City and at the port in Saint John.

For McCain, the new rail infrastructure “is a positive step that enables greater flexibility and resilience in our supply chains, supporting export growth and helping

us respond to evolving trade dynamics,” said Charlie Angelakos, vice-president of global external affairs and sustainability, in an e-mail, noting Mexico has long been an important market for the company.

Meanwhile, CPKC has begun carrying liquid petroleum gas (such as propane), refined fuels and plastics from the Edmonton area to Mexico. In recent months, those products have added roughly \$100-million in new business for CPKC “that would not have existed before,” said Mr. Creel.

The trade benefits flow the other way, too, with trainloads full of fruits and vegetables, home appliances and furniture regularly departing Mexico for Canada, where they can provide cheaper alternatives to American-made goods that are subject to Canada's countertariffs.

In a recent investor presentation, Mr. Creel said CPKC had begun moving Mexican produce into Canada for Loblaw Cos. Ltd. In February, the grocery chain's CEO, Per Bank, posted on social media about its trade war response, writing that for products it has had to purchase from the U.S., “we will look for alternatives including products from Mexico which has also been subjected to these unnecessary tariffs.”

It's not that these are the first or only shipments to move between Canada and Mexico tariff-free. Railways have long partnered to move bonded freight using each other's tracks.

However, that type of arrangement is more susceptible to interchange delays where the railways' tracks meet, said Mr. Guy at Veritas.

“The general rule of thumb in railroading is the more you have to touch a car, the more expensive that freight is,” he said.

The question is, then, are we seeing the start of a flourishing new trading relationship, or just a temporary Trump-induced blip?





A freight train crosses the Patrick J. Ottensmeyer International Railway Bridge. The bridge's second track, seen under construction in May, 2024, has since been completed, more than doubling capacity at the border according to CPKC.

ALEJANDRO CEGARRA/THE GLOBE AND MAIL

It's remarkable how little trade flows directly between Canada and Mexico, especially considering the countries are signatories to not one, but two free trade deals – the United States-Mexico-Canada Agreement as well as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership. Mexico also has a younger population than Canada, a sizable consumer market and a growing middle class.

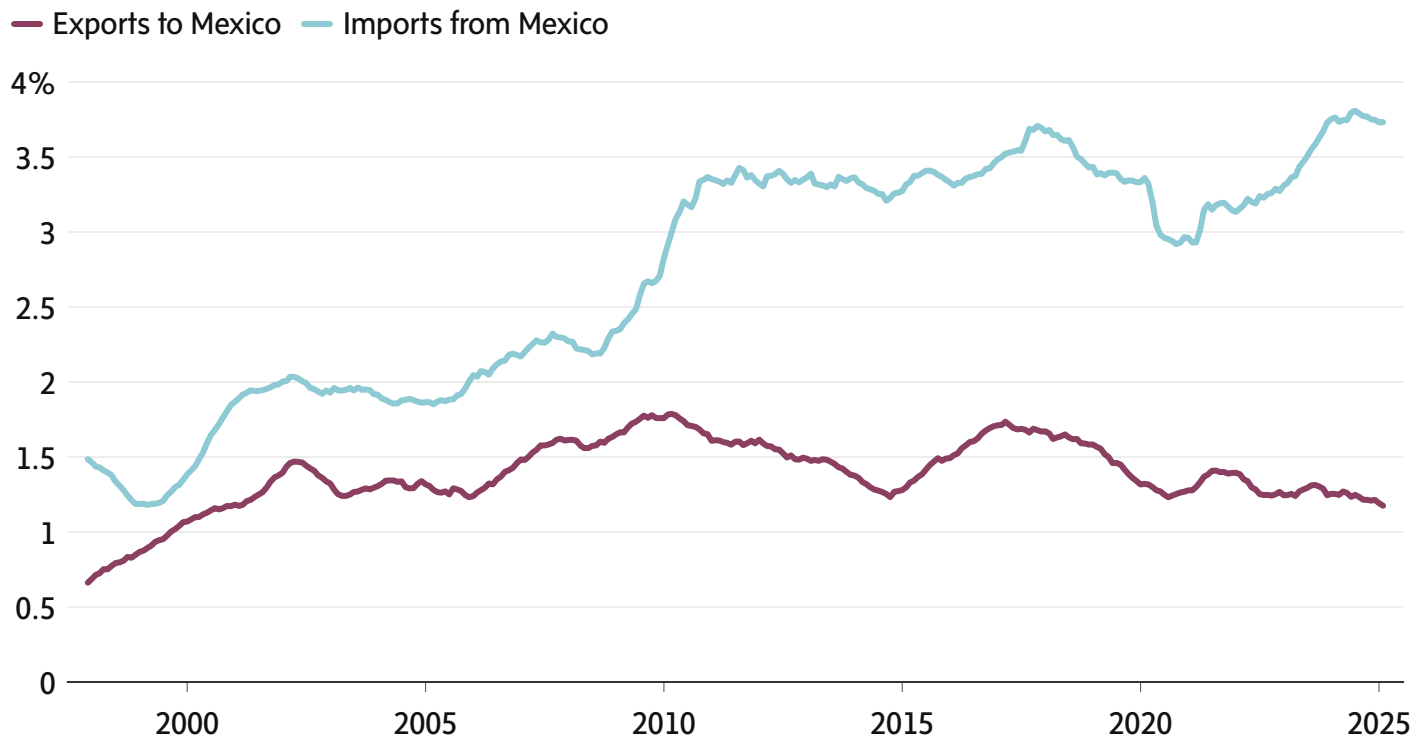
“They’re our biggest trading partner’s biggest trading partner,” said Shauna Hemingway, a former Canadian ambassador to the Dominican Republic and deputy head of mission in Mexico City, who serves as a senior special adviser to the Business Council of Canada.

Yet Canada and Mexico currently account for only a tiny slice of each other's exports and imports, far less than what their relative populations would suggest. Canada is roughly one-tenth the size of the U.S. by population, yet we buy just 3 per cent of Mexico's exports.

The export picture the other way is even more meagre. Mexico has close to 40 per cent of America's population, yet it takes in just 1.1 per cent of our total exports.

Mexico as a share of Canada's total imports and exports

12-month rolling average



THE GLOBE AND MAIL, SOURCE: STATISTICS CANADA

And that includes the flow of motor vehicles and auto parts, which account for nearly one-third of Canada's exports to Mexico and close to half of all imports from Mexico.

Those numbers may not reflect all the goods flowing between the two countries since the U.S. plays a middleman role, said Shawn Doyle, principal of the Latin America practice at McCarthy Tetrault, who is based in Chile.

"Whether captured by stats or not, there is some amount of indirect trade that should now become direct trade," he said.

The sorry state of Canada-Mexico trade is reflected in CPKC's own freight records. Goods moving from Canada to Mexico and vice versa on its tracks accounted for only a combined 2 per cent of the railway's freight revenue last year.

While Canadian politics has come alive with a sense of multipartisan urgency to limit our trade exposure to the U.S., it's not clear Mexicans feel the same. Mexican President Claudia Sheinbaum said in early March her country may have to "look to Canada and other countries" if U.S. tariffs continue, but Mexico's response has been subdued.

One reason for the less-panicked tone is experience.

"It's new for Canada to be a topic in U.S. politics, but Mexico has been a piñata in U.S. elections since I was a teenager," said Eduardo Suarez, vice-president of Latin America economics at Bank of Nova Scotia.

Mr. Creel, an American-born CEO of a railway with deep Canadian roots that date back to Confederation, finds himself navigating a tense political line in all this.

"I've lived in three provinces, I've worked in Canada for two decades, I uniquely understand the Canadian pride in the flag, in the country and its sovereignty and I understand how offensive that rhetoric is," he said of Mr. Trump's threats to annex Canada.

However, America also faces "undeniable societal problems", said Mr. Creel, pointing to illegal immigration, open borders and the fentanyl crisis. "Those issues are getting addressed in a way that, as shocking as it is, it's necessary."

That doesn't mean he expected this level of disruption. "The gravity of the trade imbalances and President Trump's focus on rebalancing them through the use of tariffs was not expected to the standard he's set," said Mr. Creel.

"But as a leader you get paid to produce, not make excuses."







Workers inspect trains at the CPKC rail yard in San Luis Potosí, Mexico. San Luis Potosí is the terminus for Mexico Midwest Express trains heading southbound from Chicago.

ALEJANDRO CEGARRA/ THE GLOBE AND MAIL

While some Canadian goods have started to flow to Mexico, it's not a simple process for businesses to diversify their supply chains.

"If you have a tense period with the Americans, you can't just start diversification that day, it can take years before you see an outcome," said Meredith Lilly, a professor at Carleton University's Norman Paterson School of International Affairs.

Oats are a case in point.

When Shawna Mathieson became executive director of the Prairie Oat Growers Association early last decade, 97 per cent of all Canadian oat exports went to the U.S., a concentration that "raised a huge red flag as not sustainable," she said.

The organization launched a campaign aimed at Mexico in 2014, including an annual recipe contest using oats – winners included oat tortillas to oatmeal churros – and collaborating with health care workers to promote oat consumption as a way to manage diabetes, the leading cause of death in Mexico.

Since then, oat exports to Mexico have nearly quadrupled in volume, worth an average of \$29-million annually over the past five years.

CPKC's direct rail route is a welcome alternative for future shipments she said – previously some shippers loaded oats on trains bound for Vancouver to be transferred to ships for the journey to Mexico.

Meanwhile, there are still plenty of other areas Canada and Mexico can boost direct trade, said Ms. Hemingway. Simply put, we sell a lot of the same goods to China that Mexico imports from China, she said, such as fertilizer and machinery.

“There is a lot of overlap in many sectors that are an opportunity for us to keep more of the trade in North America,” she said.



A CPKC train arrives at the rail yard in San Luis Potosí in May, 2024.

ALEJANDRO CEGARRA/THE GLOBE AND MAIL

Given the urgent need for trade diversification and Canada's meagre success to date tapping the Mexican market, governments should take a more active role to spur businesses to think beyond America, said Mr. Creel, who is just beginning to take that message to federal and provincial governments.

"If you want a new market for Canadian manufacturing to protect Canadian jobs, why not create a market in Mexico?" he said.

For instance, he suggested a temporary tax incentive for exporters that develop net new business beyond the U.S. "It doesn't have to be forever, but once you create these markets and this new muscle memory, some of this will stick," he said.

Experts see room for such incentives. "If it's important for Canadian society to increase trade diversification for the long term, we do have to create incentives," said Prof. Lilly, whether that's a tax incentive or investing more in trade infrastructure that encourages diversification.

Whatever the case, she said it's imperative that newly-elected Prime Minister Mark Carney "pick up the phone and reset relations" with Ms. Sheinbaum, particularly in the wake of comments by Ontario Premier Doug Ford and others who argue Canada and the U.S. should consider excluding Mexico from the USMCA, which is up for renegotiation next year.

As for Mr. Creel, now that the Canadian election is over, he said he believes the USMCA talks will be pulled forward to this year, allowing businesses that have been hurt by uncertainty, including his, to begin to plan and invest again. On May 6, Mr. Carney is set to have his first meeting as Prime Minister with Mr. Trump in Washington.

"There are all kinds of scenarios in this thing where I think when it all shakes out, we all get stronger as a result," he said. But the trade war may finally have given Canadian businesses the push they needed to look further beyond the U.S. market.

“We’re never going to get away from the United States – it’s too big of an opportunity and too important to our prosperity in Canada. But becoming a little less reliant on America is a good thing.”

Sign up for the Streetwise Newsletter. Follow the money with news and analysis on banks, capital markets, mergers, acquisitions, and Bay Street moves (subscribers only)

+ SIGN UP | **EXPLORE NEWSLETTERS**

[Report an editorial error](#)

[Report a technical issue](#)

[Editorial code of conduct](#)

Related stories



CPKC lowers financial forecast amid ‘trade storm,’ but stresses new trade flows



As Carney visits Trump to discuss trade-security deal, diplomatic and business leaders warn of potential consequences 🔑



Canada stands at a crossroads as Trump enacts shattering political changes with the stroke of a pen 🔑

