



FOCAL

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FOCAL's Fifth Forum of Hemispheric Experts

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NORTHSTAR V Report

Introduction

The Canadian Foundation for the Americas (FOCAL) is an independent policy institute whose mandate is to foster a greater understanding of hemispheric issues through debate and dialogue in Canada and the Americas. FOCAL monitors local and regional developments, analyzes emerging issues and works to forge deeper engagement with the region via enhanced mutual understanding among governmental and non-governmental organizations. It is particularly concerned with the articulation and execution of Canadian policy towards Latin America and the Caribbean (LAC). In planning the fifth annual Forum of Hemispheric Experts we believed that the federal government's comprehensive international policy review (IPR)—examining the four key dimensions of diplomacy, defence, development and trade—provided an opportune moment to evaluate Canada's role in the Western Hemisphere.

The Forum also provided an excellent opportunity to examine some of the cross-cutting challenges facing the region and points of entry for further Canadian involvement. Due to the salience and timeliness of the topic, we altered the format of the proceedings, moving from a closed to a more inclusive event. This format allowed us to bring new faces to the table and to include a broad range of policy makers, as well as representatives from academia, non-governmental organizations, international institutions and the diplomatic community, which complemented and enriched the discussions. The Forum generated an insightful discussion and analysis that will help to inform FOCAL's future activities. Moreover, it is hoped that the findings of this Forum will provide guidelines for Canadian decision makers as they re-define Canadian foreign policy priorities and strategies. The following report encapsulates the key ideas and conclusions emerging from the Forum.

Overview

Taking into consideration the current global environment, it was the objective of FOCAL's Forum of Experts to explore Canadian strategic priorities in the Americas. The overarching question of the Forum was how Canada can most effectively pursue its national interests while continuing to play a relevant and constructive role in the Western Hemisphere. To address this question, the Forum was divided into five sessions. The first session situated Canadian foreign policy toward the Western Hemisphere within the post-September 11, 2001 context. The following four sessions were thematically focused, each examining a particular aspect of Canada's foreign policy strategy, including diplomatic relations, security and defence, the private sector and

economic development, and development assistance. These themes not only coincide with those flagged by the Canadian government for its policy review, but also they provide a useful starting point from which to examine the issues facing the region while evaluating Canada's interests, priorities and capabilities, and areas for future engagement.

Discussants identified the following key factors for consideration when reformulating Canadian foreign and development policies toward Latin America and the Caribbean:

1. The Canada-United States relationship plays an integral role in informing Canadian foreign policy.
2. Latin America and the Caribbean are a low priority on the US agenda, which creates opportunities for other countries, like Canada, to play a leadership role.
3. The security agenda has become a renewed priority for decision makers in the United States since the events of September 11. Security matters are increasingly complex and demand consideration of both traditional and non-traditional threats. For countries in the LAC region, consolidating democracy and enhancing governability remain central issues. Many officials in these countries are concerned that the new security agenda does not encompass their core issues.
4. As a region, Latin America and the Caribbean is becoming increasingly heterogeneous, both strategically and economically. As a result, a "one size fits all" policy is not effective. Canada needs to pursue policies that reflect the divergence among and national specificities of these countries.
5. Canada became more involved in the Western Hemisphere after joining the Organization of American States (OAS) in 1990; however, Canada's position and activities in the hemisphere have declined in the past three to four years.
6. In re-evaluating and reviewing its foreign relations, Canada needs to set geographic and thematic priorities and to determine what type of strategies can best serve the LAC region.

I. New Realities: the Place of the Americas in Canadian Foreign Policy



John Graham, Chair of Board of Directors - FOCAL

In 1989, the Canadian government, following a cabinet-level decision, made a concerted and multi-pronged effort to engage as a full participant in the Americas. At the regional level, Canada joined the OAS, hosted the third Summit of the Americas, and intensified bilateral diplomatic relations while also deepening engagement in the hemisphere via support for "second track" channels. At the international level, optimism regarding increased "complex interdependence" and the role of "soft power" for middle-powers such as Canada in the post-Cold War period diminished as it became evident that sub-national and ethnic conflict posed the main threat to national security for many countries. This meant a renewed emphasis on "hard power" and recognition that the role of non-state actors could not be ignored. Under these conditions the Canadian government was forced to rethink its position and approach toward foreign policy affairs and to question the assumptions underpinning its activities and objectives. Participants in the first session highlighted the principal factors

influencing Canadian foreign policy in the context of post-September 11 and debated how a “rethink” of Canadian strategies would affect its future engagement in the Western Hemisphere.

US Political Priorities Post-September 11: Implications for Canadian Foreign Policy Objectives

In the post-September 11 period decision makers in the United States have focused not only on national security issues, especially anti-terrorism, but also on maintaining American economic, technological and military supremacy globally. Denis Stairs of Dalhousie University emphasised the need for Canadian policy makers to understand the complex nature of American foreign policy, which hinges on the paradox underlining American hegemony. American global dominance is accompanied by a “deeply-ingrained sense” of insecurity that has compelled American decision makers to strengthen fortress America. The United States’ sense of insecurity has led the Bush Administration to a stated determination not to be overtaken—militarily or otherwise—by other nations. This perspective has prompted the current Administration to explore more deeply the nuclear capabilities of rival states and to regard certain emerging competitors, such as China, as a potential threat.



Building on these observations, Stairs suggested that at present the most serious threat to Canada is not terrorism within its territory, but rather the impact of another attack on the United States if it were linked to Canada. In his estimation, Canada’s most vital security interest is to persuade the United States that Canada is effectively managing security at its international borders. Stairs cautioned that the US preoccupation with security trumps everything else, and that the United States will do whatever is necessary to promote its national security; what is more, it will do it alone if necessary.

The predominance of the US security agenda since September 11 means that the asymmetrical power relationship between Canada and the United States has become an even more salient factor in defining the policy options available to Canadian foreign policy makers, at least in the North American context. Discussants agreed that the shift in the American political agenda and the United States’ more inward-focused approach has equated to less attention for Canadian officials in Washington, ultimately reducing Canada’s ability to influence American foreign policy. According to Stairs, the United States’ shift away from its Canadian ally is due in part to a real or perceived decline in Canada’s military resources and other foreign policy assets. As a result, recent US relations with Canada have become more multilateral in character, managed increasingly through the G8 and the OAS. *In concluding, Stairs reiterated that the Canada–United States relationship remains paramount, and thus in pragmatic terms the United States needs to be a priority for decision makers in Ottawa.*

Assessing Canada-United States Relations

When assessing the principal factors influencing future foreign policy options, Canada’s relationship with the United States is at the top of the list. Stairs argued that the Canada-United States relationship is the most critical for Canada. While the centrality of this relationship is generally accepted, Stairs argued that post-September 11 realities have made the relationship simultaneously more significant and difficult—perhaps even more confining—for Canadian policy makers than previously. Similarly, Christopher Sands from the Center for Strategic and International Studies emphasized that September 11 sparked a re-evaluation of US foreign

relations including those with its closest neighbour and ally, Canada.

Sands noted that in addition to the obvious implications of the United States' unilateral focus on security, events of September 11 caused an "agenda overload" for the US government. This has had three main consequences for the character of Canada-United States relations:



Christopher Sands, Senior Associate,
Canada Project in the Americas
Program, CSIS

1. *Decentralization*: An increasing number of US government departments have become involved in Canada-United States relations. Moreover, since September 11 there has been a growing role for state governments as Canada disappears from Washington's radar screen.
2. *Diffusion*: Private authorities are assuming a greater role and increased responsibilities in the management of this bilateral relationship. Non-governmental organizations and private firms are now taking the lead in defining the way in which Canada-United States relations are conducted.
3. *Domestication*: Increasingly, US officials and Americans see Canada and Canadians less as foreigners and more like an extension of the United States. Sands noted that Prime Minister Paul Martin's meeting with President Bush on April 30, 2004 seemed like the visit of a state governor rather than a meeting of heads of state: Prime Minister Martin did not bring anything with him, but came with a list of requests.

These phenomena—decentralization, diffusion and domestication—are influenced by other more subtle factors, which together shape the nature of the Canada-United States relationship. Apart from the impact of September 11, this shift in relations is also due to a “changing of the guard” among US government officials, both within Congress and the bureaucracy. Sands argued that during the post-World War II period many US officials looked favourably upon Canada, which helped maintain a “special relationship” between the countries. However, in the last decade many of the individuals responsible for building these relationships have retired and their successors have progressed through the ranks under vastly different circumstances. It is evident in the post-September 11 period that this “new guard” views Canada as smaller, less capable, and less important. Sands contended that the United States currently views Canada more as a “co-worker” than a “trading partner”.

Stairs also noted that there are certain “basic and inescapable realities” underlying the Canada-United States relationship. One such “reality” is that the prosperity of all Canadians, and the ability of the Canadian government to provide public services, is heavily dependent on the free movement of people and commerce across the Canada–United States border. Currently, 85 percent of Canadian exports—representing 40 percent of Canada's GDP—go to the United States. Furthermore, east-west—inter-provincial—trade is increasingly being displaced by north-south—inter-continental—trade. Under these conditions deteriorating diplomatic relations and tighter border controls with the United States would seriously weaken the Canadian economy. Strained relations with Canada's longstanding ally in conjunction with “basic and inescapable realities” reinforce the argument that repairing this relationship must be a priority for the Canadian government.

The Canada-Western Hemisphere Interface: Canadian Foreign Policy Toward the Region

Based on the assumption that the primary focus of Canadian foreign policy should be the United States, two fundamental questions emerge: How can Canada continue to build its relationship(s) with the Americas? and What role should Canada play in the Latin American and Caribbean region? Many discussants challenged the assumption that Canadian decision makers are currently *more* constrained by the United States than they have been in the past. This suggests that despite the deep economic linkages that Canada shares with the United States, Canadian policy makers have room to manoeuvre domestically, and within the LAC region. In fact, discussants suggested that being “off Washington’s radar screen” provided Canada with a unique opportunity to “do its own thing” abroad. While the tendency is to focus primarily on the United States when assessing Canada’s role in the Western Hemisphere, discussants stressed that Canadian policy makers must not overlook secondary and tertiary relations.



José L. García-Aguilar, Associate Professor,
International Relations, Universidad de las
Américas, Puebla

Identifying possible areas for Canadian involvement in Latin America and the Caribbean José García Aguilar from the *Universidad de las Américas*, Puebla echoed this perspective, stressing that Canada should take advantage of the current situation and become more engaged in the region. In particular, Canada is well placed to assist with economic development and can potentially play a distinctive role in promoting and consolidating democracy in the LAC region. Andrew Cooper from the University of Waterloo, emphasized that Canada should pursue niche diplomacy in the region. In keeping with García Aguilar, Cooper argued that Canadian strategies should focus on advancing and deepening democratic principles and institutions in Latin America and the Caribbean.

Priority countries for enhanced democratic cooperation include Mexico, Colombia, Venezuela and Cuba. In the case of Mexico a solid relationship has been established over the last decade between Elections Canada and Mexico’s Federal Electoral Institute (IFE). While some continue to question whether “democracy” can be exported, the Elections Canada–IFE relationship demonstrates that certain democratic structures can be successfully reproduced in countries in transition. In closing, García-Aguilar emphasised the importance for Canada to distinguish itself from the United States when engaging in the region.

II. Tools for Changing Engagement: The Right Mix of Multilateralism and Bilateralism

Having situated Canadian foreign policy within the regional political context, the first panel identified the possible constraints and opportunities confronting Canadian decision makers when drafting initiatives for the Western Hemisphere. The second session focused on Canada’s diplomatic strategies in the region. Historically, Canada has been a strong proponent of multilateral institutions. Since joining the OAS in 1990 it has placed much of its diplomatic problem-solving and relationship-building efforts in the region on OAS institutions. However, it has been suggested that Canada should reconsider its commitment to multilateralism and complement it with increased bilateralism.

Canada’s Diplomatic “Style” in the Americas

According to Ambassador Paul Durand, Canada's Permanent Representative to the OAS, Canada is well served diplomatically in Latin America and the Caribbean. Canada has embassies in most countries in the region, and a presence in others via consular services. Since becoming a member of the OAS Canada has focused much of its diplomatic efforts on this multilateral body. At the same time, Canada's approach towards the hemisphere is more disciplined. Despite the imperfections of the OAS network of organizations, Ambassador Durand noted that the multilateral framework has enabled Canada to project its values to the region and to advance the discourse on issues of human security, anti-land mines, democracy, corruption and gender equity. These developments are in stark contrast to the pre-1990 period, during which time Canadian engagements and its diplomatic style in the region were characterized as "inconsistent" and "intermittent". Ambassador Durand argued that Canada's current strategy provides the right mix of multilateral and bilateral tools; however, there are too few ingredients. *Canada's profile remains too low: To be effective in the region, increased resources are required for both bilateral and multilateral efforts.*



Paul Durand, Ambassador, Canadian Mission to the Organization of American States; Andrew F. Cooper, Professor, Political Science, University of Waterloo; Kim Richard Nossal, Professor, Political Studies, Queen's University

Bilateralism vs. Multilateralism: Reconfiguring Canadian Diplomacy

When considering if Canada should re-evaluate its multilateral approach and enhance its bilateral efforts, opinions differed. However, participants unanimously agreed that regardless of whether Canada engages in multilateral and/or bilateral diplomacy, *the level of resources invested in the region must increase if Canada is to be effective and have a notable impact.* Participants also acknowledged that the options are not either/or, but rather a matter of determining which approach or combination thereof should be adopted so that resources, ideally increased, can be channelled accordingly.



Ambassador Andrés Rozental, Mexican Council on Foreign Relations

Ambassador Andrés Rozental of the Council of Mexican Foreign Relations, suggested that Canada should consider shifting its diplomatic focus and fine-tune its diplomatic strategy in the Americas. This suggestion was based on two key observations. First, Latin America and the Caribbean are becoming more heterogeneous and polarized, and thus a single overarching policy is likely to be ineffective. Second, in his estimation Canadian interests in the hemisphere lie primarily with the United States, Mexico and Brazil, making it necessary to emphasize bilateral agendas with these countries. Not only does Canada have vested (economic) interests in these countries, but also these countries are regional leaders (Mexico with a presence in Central America, parts of the Caribbean, and the Andean Region; Brazil maintains a presence in the Southern Cone, the Caribbean, and South America in general). Strengthening these bilateral relationships would enhance Canada's ability to pursue its interests throughout the Americas.

To underscore the divergence of interests in the hemisphere Ambassador Rozental highlighted the key issues confronting the sub-regions, emphasising that Canadian foreign policy makers

must tailor their diplomatic approaches to these changing realities. In the region as a whole, there is a growing divide between two spheres of influence: Brazil and Mexico, each of which are competing for economic and political influence and seeking allies to support their agendas. Regarding regional trade, Ambassador Rozental noted that Canada-Brazil bilateral relations are strained by the perceived incompatibility between the Free Trade Area of the Americas (FTAA) and the Mercado Común del Sur (Mercosur). Canada views Brazil's position on the FTAA as an affront to Canadian interests; similarly, Brazil has taken issue with the Canadian approach to the FTAA. In the NAFTA sub-region, the post-September 11 security agenda has created tensions among all three countries and largely provides the framework within which bilateral and trilateral relations occur. At the same time, Canada is less focused on Mexico.

Ambassador Rozental stressed that Canada must recognize these areas of divergence and build upon its interests and objectives in the region: *By differentiating among players, setting clear priorities and using multilateralism as a complement to rather than a substitute for bilateral policies, Canada could increase the effectiveness of its diplomatic efforts.*

III: Strengthening Security, Peace, and Democracy in the Americas in the Post-September 11 Context

In the current era of globalization, sub-national conflicts rather than interstate war pose the major threat to national and international peace and stability. Discussants in the third session situated Western Hemispheric security issues within the context of the newly emerging international security paradigm. Analysing the key challenges to ensuring peace and security in the Americas, presenters suggested that Canada is well placed to play a leadership role in facilitating a more cooperative approach to regional security.

US Selective Engagement: Implications for the Regional Security Agenda



According to Michael Shifter of the Inter American Dialogue, the most visible impact of the post-September 11 US security doctrine for Latin America and the Caribbean has been to divert US attention from the region. He suggested that current US policy is on “auto-pilot” and that the prospect of rethinking American foreign policy toward the region has dropped off the radar screen in Washington. Shifter noted that it is likely that this disengagement and indifference toward the Western Hemisphere will continue, and potentially

grow, as the United States remains focused on the war in Iraq and its efforts to demobilize al-Qaeda.

The Bush Administration’s lack of interest in the Western Hemisphere has created a power vacuum vis-à-vis the Americas at the highest levels. In part this gap has been filled by the Defence Department’s Southern Command, who despite declining budgets since September 11 have maintained a focus on the region, particularly the situation in Colombia. The United States has been active and invested heavily in providing security aid to Colombia through Plan Colombia and also has been involved in negotiations with paramilitary groups and the *Ejército de Liberación Nacional* (ELN). Shifter suggested that future US action—or inaction—in Colombia, one of the region’s principal hot-spots, serves as an important 'test case' regarding American foreign policy in the hemisphere over the long-term. In the short to medium term no major policy changes toward the Western Hemisphere are expected as US foreign policy

towards the region is largely bipartisan and not directly linked to the US electoral cycle.

Reduced US engagement in the LAC region creates opportunities for countries such as Canada, Mexico and Brazil to exert a new role. However, Shifter emphasised this opening should not be overstated. Given current realities, it is likely that the United States would strengthen its presence in the hemisphere if developments in the region were to deviate substantially from the American national interest.

Challenges to Security, Peace and Democracy in Latin America and the Caribbean

While the United States is entrenched in national security concerns, the international community is also revisiting issues of peace, security and democracy. Francisco Rojas of FLACSO, Chile emphasised that Latin America and the Caribbean have been impacted by recent developments in the United States, which have challenged traditional conceptions of security, as well as the institutions and strategies created to respond to breaches of security and conflict. He highlighted three characteristics for consideration by policy makers when formulating security strategies for the region:

- Increasingly, Latin America and the Caribbean is a heterogeneous region, both strategically and economically.
- The region is not a unified political bloc on issues of international security: countries are divided on their position vis-à-vis Iraq. In addition, the region plays a marginal role in the context of world strategic matters and it remains, with the exception of the United States, free of weapons of mass destruction.
- While there is peace among states in the hemisphere, the major vulnerability underlying the Latin American and Caribbean region is the high level of internal instability and the governability crises plaguing many of its member countries.



Post-September 11 the concept of security needs to be “multidimensional” and accord equal weight to both traditional and non-traditional security threats. In the context of the LAC region, the definition of security must also encompass issues of democratic governability and emphasise core democratic values, promote social justice and encourage respect for human rights while recognizing issues of national sovereignty. According to Rojas, the “New Agenda for Governability” must respond to both political and institutional weaknesses, including political leadership and representation crises, corruption, and public dissatisfaction with “low-intensity” democracy, all of which undermine instability. In addition, economic vulnerabilities characterized by low rates of growth, high poverty and unemployment rates, growing inequality, macroeconomic management difficulties, and the insertion of national economies into the global economy, continue to create profound challenges for many countries in the region.

To deal effectively with these challenges, national governments in the region and multilateral institutions must continue to work together to rethink the regional security agenda and to reform the international security regime. According to Rojas, to address security concerns as well as pressing transnational and multinational issues this new regional collaborative framework must be built upon “four pillars”. The success of the framework depends upon building: *solid opportunities for dialogue* (e.g. meetings of heads of state, citizen diplomacy); *strong legal*

foundations (e.g. ratifying international agreements and treaties); *stable institutional foundations* (both existing and newly formed); and *stronger formal and ad hoc conflict prevention mechanisms*.

The Canadian Security Agenda: Canada's Potential Role in the Region

While Canada has traditionally not been a strong military force, it has been an active participant in peacekeeping efforts throughout the world and a strong advocate of democracy and good governance. However, Hal Klepak of the Royal Military College noted that historically Canada has been disengaged from security in the Americas, largely due to the United States' presence in the region. Nevertheless, since the early 1990s Canadian government officials have recognized the close connection between security and democracy; this led to the realization that Canada has much to contribute to security cooperation with Latin America. *As the redefinition and retooling of the regional security architecture takes place—from a focus which places less emphasis on military might to one that focuses on ensuring the building blocks of solid democratic systems are in place—Canada has the opportunity to play a larger and more significant role in supporting peace and security in the region.*

These policy reforms require technical and strategic expertise, as well as the political will to give this new agenda 'teeth'. According to Klepak, Canada has a comparative advantage when dealing with many of these “new” security issues:

- Canada has little “colonial baggage” and few historical military links.
- Canada has police and military forces that maintain good reputations abroad.
- Canada has a strong multilateral track record on key issues, including landmines and peacekeeping, and could play a critical role in supporting the OAS—a key player in this process—especially in conflict resolution and measures to strengthen democracy.

To play a constructive role in the region, certain changes to Canadian policy are required: At present Canada gives assistance widely, but not deeply, and there must be more resources allocated to the area of security. *While always a perennial challenge, Canada must choose niches and priorities in the region, and not allow US interests to displace or dictate Canadian relations with Latin America and the Caribbean: the urgent must not be permitted to drive out the important.*

IV: Canadian Business Involvement in the Region: Untapped Potential

Private business and investment have been increasingly acknowledged as powerful complements to traditional methods of development assistance. The Monterrey Consensus and the United Nations Commission on the Private Sector and Development report “Unleashing Entrepreneurship”—under the co-chairmanship of Prime Minister Paul Martin and former Mexican President Ernesto Zedillo—both underline the potential role that private sector activity can play in supporting economic growth while also fostering equity and combating poverty. Discussion in the fourth session focused on the current level of investment in the Latin American and Caribbean region, and sought to generate ideas on how Canadian foreign policy can promote deeper business linkages with the region while advancing development goals.

Investment Activity in Latin America and the Caribbean

Michael Mortimore from the UN Economic Commission for Latin America and the Caribbean (ECLAC) reviewed two methods of analysing investment activity in the Western Hemisphere: each paint a different investment picture, and generate different policy options for increasing investment. The traditional approach uses the volume of Foreign Direct Investment (FDI) flows as a key measurement of investment and economic activity. This method equates increased inflows of FDI with higher investment, and assumes that increased investment generates automatic benefits for the recipient country, including job creation, increased exports and technology spillovers. Countries are typically counselled by international financial institutions (IFIs) and donor countries to create more favourable investment conditions in order to attract increased FDI by implementing economic reforms, including the liberalization of trade rules, the deregulation of commodity and service sectors and the privatization of state-owned enterprises.

Using FDI levels as an economic indicator, recent statistics demonstrate that despite liberalization and deregulation, investment activity in the region is declining. FDI constituted the major share of external financing in Latin America in the 1990s; it rose sharply during the decade but has fallen since 2000. Inflows have varied substantially across countries within the region, and currently there are “two Latin Americas” in terms of FDI:

1. **Mexico and the Caribbean Basin:** FDI targets manufacturing sectors. The United States is the main source of investment capital, which generates new assets, increases export capacity and strengthens international competitiveness.
2. **Mercosur and Chile:** FDI targets service sectors. Europe, chiefly Spain, is the main source of investment capital. Activities involve investing in existing assets (acquisitions and privatizations) and strengthening the national and international competitiveness of firms.

An alternative approach used to evaluate economic activity examines the presence and the types of activity of transnational corporations (TNCs) (manufacturers, service providers, banks and exporters) in each country. This method emphasises both quantitative and qualitative factors. It not only analyses investment flows but also assesses the impact of FDI based on *where* and *in what* sector(s) it is invested. Analyses generated by this perspective suggest that despite declining FDI, TNCs continue to maintain a strong presence in the region.

Unlike traditional interpretations that link levels of FDI with growth and development, this alternative approach assumes that the *quality* of FDI is as important as the *volume* of inflows. The benefits of investment are not assumed axiomatically, but rather are derived from various factors that might accompany investment. These include technology transfers, training, production linkages, and local enterprise development. The impacts of investment are both positive and negative; they vary depending on the sector targeted and the “corporate strategy” advocated by the sending firm. Firms seek investment in extractive industries, expanded national and regional markets, increased production efficiency and improved strategic placement. Each of these not only generates potential benefits and difficulties for the firm, but also each has distinct implications for the host country.

An analysis of TNC activity draws a contrast between traditional FDI-enhancing strategies, and strategies seeking to activate growth and development in the host country. The alternative

method of analysis has the potential to generate policies that produce better outcomes for local and foreign business and national development. Key considerations for ensuring that FDI and TNC activities are more relevant to national development objectives include:

1. National priorities need to be defined so that FDI/TNC operations will be viewed as a means of complementing national capital.
2. External financing priorities, international trade and investment agreements and productive development need to be harmonized by means of coordinated policies.
3. Third-generation investment promotion agencies have a role to play in: a) identifying and facilitating the entry of the TNCs most closely aligned with national priorities and; b) benchmarking the impacts of FDI/TNC operations in order to determine whether the policies of TNCs are working.
4. Governments will transition from investment policies that seek to maximize the *level* of inflows, to policies that focus on the *quality* of FDI/TNC impacts.

Strengthening Linkages Between Foreign Business Interests and Development Goals

Having considered how different types of investment can support economic growth, Kathryn Hewlett-Jobes of the Multilateral Investment Fund of the Inter American Development Bank provided an optimistic view of how business linkages and increased investment are currently supporting development goals, and how Canada can contribute to this trend. In her experience the positive impact of foreign business on local development has been facilitated, in part, by *external* as well as *internal* pressure from both civil society and business organizations. To demonstrate the role of external pressure, she used the example of environmentalists' lobbying Mercedes Benz to reduce the use of chemicals in its manufacturing process; this led the company to make headrests out of coconut fibres, which created jobs for coconut farmers in Brazil. In other instances, internal pressure on business activities served to enhance the positive outcomes for development goals. For example, several Latin American Chambers of Commerce have developed mechanisms for alternative dispute resolution between business and labour and also developed standards for the certification of employees' skills, which has increased the mobility of workers in many communities.

Hewlett-Jobes also noted that the Latin American and Caribbean environment presents numerous challenges to foreign business due to elements that can inhibit the performance of markets, including insufficient infrastructure (e.g. underdeveloped transportation networks: roads, ports and airports), and inadequate information flows. However, she was optimistic that businesses operating in the LAC region can play a positive role in furthering economic development, particularly if firms adhere to the principles of Corporate Social Responsibility (CSR) while generating a profit. Hewlett-Jobes emphasised that CSR and profit-generation were not mutually exclusive endeavours. David Winfield, echoed this argument, noting that Canada and the Canadian business community should become more involved in Latin America and the Caribbean: the region is dynamic and Canada's involvement in trade and economic development in the Western Hemisphere is increasingly welcomed.

Panel participants concluded that:

- Encouraging the Canadian business sector to expand trade and investment in the region

should be high on the list of priorities for the Canadian government; it should provide policy leadership in this area by setting priorities and outlining strategies.

- While CIDA currently supports Canadian business in the Caribbean and South America, a clear policy framework is required to help *expand* Canadian business linkages with countries in the Western Hemisphere.
- The Canadian government must be more proactive in encouraging entrepreneurial involvement. It is essential to understand and to address entrepreneurs' specific needs, to help them make contacts, and to provide them with the information necessary to make informed investment decisions.
- CSR also has an important role to play in promoting more equitable and sustainable business practices and should be encouraged by the Canadian government and supported by Canadian firms: While these practices began as a response to pressure from NGOs and shareholders, CSR practices often yield financial benefits for companies.
- When drafting development and foreign policy, Canadian government officials must consider that markets can be cultivated and improved with the promotion of four factors: a good regulatory environment, strengthening of the players' knowledge and training capacity, demonstrating the markets' strength, and changing the rules of the game to reduce risk.

V: The Future of Canadian Development Assistance

The final session of the Forum addressed the prospects for greater Canadian development assistance. Over the course of the Forum, participants elaborating on issues of security, diplomacy, and private sector development all acknowledged that development assistance has been an integral part of Canadian foreign policy initiatives. These discussions reflected the growing realization that development efforts must be integrated more closely with the national goals of the host countries to reach beyond "growth with equity" to include such issues as governance, security, trade, technology and migration. Recently, Canada has begun to re-invest in foreign aid after years of stagnant or declining budgets in an effort to respond to the needs of Latin America and the Caribbean, as well as developing countries in other regions. Discussants reviewed Canada's development policies, assessed its current commitments and emerging challenges, and outlined possible directions for future Canadian development strategies.

Advancing the Development Agenda in Latin America and the Caribbean

In an evocative call to arms, Ramón Daubón of the Inter American Foundation outlined what he considered were the main development challenges facing Latin America and the Caribbean, highlighting how Canada can play an active role in reducing these challenges and why it is in Canada's interest to do so. Issuing a challenge to Canadian foreign policy makers, Daubón restated Andrew Cohen's¹ claim that Canada is currently "punching below its weight" in the

¹ Andrew Cohen, *While Canada Slept: How We Lost Our Place in the World* (Toronto, ON: McClelland and Stewart, 2003).

sphere of international affairs—at least in Latin America and the Caribbean. Daubón was emphatic that Canada is in a unique position (relative to many other countries, particularly the United States) to contribute to the development process—building democratic institutions, promoting an understanding of democratic citizenship, and facilitating sustainable economic development—both nationally and regionally.



Ramon E. Daubon, Advisor, Inter American Democracy Network, IAF

Assessing the challenges facing the region, and the overall effectiveness of development aid during the past 50 years, Daubón reminded participants that assistance has not delivered sustained development to the region. In general, systemic underdevelopment and poverty continue while many citizens struggle to exert control over the basic circumstances of their lives. In his estimation, this is partially due to the fact that donor countries, as opposed to the recipient countries, typically define what constitutes development and progress. Consequently, development assistance strategies often are not sensitive to specific problems of particular countries; this has often slowed the transition to establishing effective democratic governments in the region.

Arguing that donor countries have “misdiagnosed” underdevelopment and subsequently miscalculated the requisite policy prescriptions, Daubón stressed that underdevelopment in Latin America and the Caribbean is a political disease which displays economic symptoms, grounded in the unequal distribution of power. For example, weak public institutions in countries of the Latin American and Caribbean region have contributed to poor economic performance and often crisis in the region. Another symptom of weak public institutions is the lack of trust in these entities by civil society. One of the first steps toward tackling these problems is to educate society about the issue of “responsible democratic citizenship”, which is a learned cultural value. According to Daubón, for citizens to experience and to appropriate this form of citizenship it is necessary to encourage citizen participation in different aspects of public life in order to generate demand for reliable institutions, to increase public expectations and ultimately, to foster constructive change. As part of the democratic process, citizens must feel a sense of responsible ownership over public life, which is promoted by the inclusion of all members of society. Daubón emphasised that a culture of democracy must develop at the grassroots level if the democratic process is to advance.

In closing, Daubón re-emphasised that Canada is uniquely positioned to offer assistance: it has no colonial baggage, it is respected by the international community, and it has relatively small and malleable development aid programs. He noted that there are various areas in which Canada can make a significant contribution. Canada’s efforts could be more effective if it were to focus its strategies on advancing democracy and political citizenship, leaving infrastructure projects to other donor states. *Canada’s resources are limited, and thus Canadian assistance should be targeted toward specific niche areas.*

Canadian Development Policy Toward the Americas: Taking Stock

Speaking to the issue of Canadian development policy toward the Americas was Guillermo Rishchynski, Vice-President of the Americas Branch at CIDA and a former Canadian Ambassador to Colombia. Accepting Daubón’s challenge for Canada to increase its effort and enhance the impact of Canadian development assistance, Rishchynski stated that Canada is indeed implementing some of the proposals he advocated. Canada has active development assistance programs in all sub-regions of Latin America and the Caribbean. In the Caribbean,

Central America and the Andean region Canadian strategies focus mainly on governance and consolidating democracy. One of the principal objectives of these efforts is to advance issues of human rights and human needs, including minority rights, health (HIV) and education. In the Southern Cone, countries such as Chile will soon become strong enough to be partners rather than aid recipients—for these countries "transfer of experience" is a priority.



Presently, CIDA is in the process of rethinking its policy strategies for the next 10 to 15 years; as it does this, a key question that emerges is how Canada can make the most difference with its finite resources. Currently, Canada disperses its aid among 150 countries with Iraq and Afghanistan constituting CIDA's largest commitments. Rishchynski noted that as CIDA moves forward with its policy planning there are several factors that must be taken into account: poverty reduction will continue to be an important objective; security and development issues have become increasingly intertwined post-September 11; and finally, the

Western Hemisphere has relatively high GDP/capita compared with other regions of the world (with the exception of Haiti and Nicaragua). *In closing, Rishchynski reiterated that Canada must make informed choices about the allocation of limited resources to ensure the efficacy of Canadian involvement in the LAC region.*

Canadian Development Policy Toward the Americas: Strategies for the Future

In a provocative presentation Lauchlan Munro, Director of the Policy and Planning Group of the International Development Research Centre (IDRC), called upon development practitioners—governmental and non-governmental—and academics to rethink the development agenda. Munro's "new development consensus" framework is not a consensus document but rather provides a basis for discussion regarding the future goals and direction of Canadian development strategies. Munro stated that a revised Canadian development agenda should rest on six core elements.

1. Building aid strategies on cooperative approaches to facilitate local capacity-building which was not achieved through traditional paternalistic approaches.
2. Increasing consensus regarding development assistance goals to enhance effectiveness of limited resources. Emphasis should be placed on poverty reduction as well as other issues including security, human rights, governance and climate change.
3. A new architecture of aid should shift from the "projectization of aid" toward a sector-wide approach where funds are directed to particular sectors rather than specific projects. This approach will also reduce transaction costs.
4. Program planning should be based on the principles of Results Based Management (RBM) rather than the logic of project planning to facilitate the assessment of projects over the short to long term.
4. Ensuring that governments in the recipient country play an active role in the policy process.
5. Events of September 11 raised the profile of the development assistance and security

nexus leading to the identification of security assistance issues in the region requiring action.

Outlining the foundations for re-conceptualizing development assistance Munro reminded participants that Canada's development programs require both political will and financial resources. He noted the linkage between the reduction in



Lauchlan Munro, Director of the Policy and Planning Group of IDRC

Canada's development assistance programs throughout the 1990s and the federal government's deficit reduction strategy. Further, he stated that since 2000 there has been a revival in development aid largely due to the proactive stance of the Organization of Economic Cooperation and Development (OECD) that has succeeded in renewing interest and support among numerous governments, including Canada. The challenge now is to ensure that development assistance programs do not fade from the political agendas of donor countries.

Conclusions

The FOCAL Forum of Hemispheric Experts reaffirmed the integral role of Canada-United States relations in shaping Canadian foreign policy. However, there was a general consensus among participants that the primacy of this relationship should not be viewed as a constraint on Canadian development policy objectives toward Latin America and the Caribbean but rather as an opportunity for Canada to strengthen its engagement in the region. Participants argued that in the post-September 11 environment Canada and much of the Latin American and Caribbean region have largely drifted off Washington's radar screen providing Canadian policy makers with a window of opportunity to assume a leadership role in charting the future course of development strategies in the region. Canada can and should "punch its weight".

Discussions also illuminated the diversity among countries in Latin America and the Caribbean: varying stages of democratic transition, small and large economies, and jockeying of power among regional leaders. Participants emphasised that development strategies need to reflect the growing divergence of interests among states in the region: a "one size fits all" approach is ineffective. In addition, it is imperative to recognize that Canadian foreign policy toward the Western Hemisphere has largely been built upon the concept of two principal sub-regions—North America and Latin America and the Caribbean—whereby Canada has typically pursued bilateralism in North America and multilateralism in Latin America and the Caribbean.

Discussants forwarded a number of suggestions as to the way forward for Canadian foreign policy makers. These suggestions also prove useful for assisting non-governmental organizations such as FOCAL in defining future endeavours in the region.

- Niche diplomacy. This approach not only optimizes the potential of Canada's limited resources but also allows Canada to tailor strategies to the particular needs of individual countries. Canada should take the lead in the sphere of governance and democracy, focusing on assisting countries with the consolidation of democracy and the facilitation of responsible democratic citizenship.
- Balance bilateralism with multilateralism. Forging deeper bilateral linkages with regional powers such as Brazil and Mexico enables Canada to advance its interests and to project its values in the sub-regions. At the same time, this allows Canada to maintain

an active commitment to the institutions of the OAS. Together these responses create the foundations for a more flexible diplomatic approach to the region.

- Entrepreneurial involvement. Private sector investment in the LAC region can play an integral role in advancing local development especially when juxtaposed with CSR principles. The Canadian government and non-governmental organizations can play a key role in facilitating private sector investment in the region by deepening business elites' knowledge of the investment environment and forging linkages with local business communities and governments in recipient countries.
- Program assessment. Adopting mechanisms such as Results Based Management would enable donor countries such as Canada to assess development assistance on an ongoing basis. This approach would help to evaluate the effectiveness of development assistance and to ensure that projects yield both short and long-term benefits for receiving communities.
- Regional cooperative security framework. Canada is uniquely placed to assume a leadership role in driving the discourse on retooling the regional security architecture. Canadian conceptions of human security in conjunction with its expertise in areas such as peacebuilding and conflict resolution can prove valuable to elaborating a collaborative approach to regional security.
- FOCAL and other non-governmental agencies play an integral role in the realization of Canadian development goals and must continue to work with government, NGOs and the private sector to advance thinking on the issue of development assistance.

AGENDA
THE AMERICAS IN CANADIAN FOREIGN AND DEVELOPMENT POLICY

FOCAL's Fifth Forum of Hemispheric Experts
Pearson Room - Lord Elgin Hotel
- June 14-15, 2004 -

Monday June 14

8:45-9:00 am ***Opening Remarks: The Case for Latin America and the Caribbean***
John Graham, Chair of Board of Directors - FOCAL

9:00-10:50 am ***New Realities: The Place of the Americas in Canadian Policy***

Moderator: **Edgar Dosman, York University**

Discussants: **Denis Stairs, Dalhousie University**
Christopher Sands, Americas Program, Center for Strategic & International Studies
José Luis García Aguilar, Universidad de las Americas, Puebla

10:50-11:10 am **Coffee Break**

11:10-1:00 pm ***Tools for Changing Engagement: The Right Mix of Multilateralism and Bilateralism***

Moderator: **Kim Richard Nossal, Queen's University**

Discussants: **Ambassador Paul Durand, Canadian Mission to the Organization of American States**
Ambassador Andrès Rozental, Mexican Council on Foreign Relations
Andrew Cooper, University of Waterloo

1:00-2:30 pm **Lunch**

Keynote Address: Ambassador Colin Granderson, Assistant Secretary-General, Foreign and Community Relations, CARICOM Secretariat

2:30-4:30 pm ***Strengthening Security, Peace and Democracy in the Americas in the Post-September 11 Context***

Moderator: **Elizabeth Spehar, Unit for the Promotion of Democracy, Organization of American States**

Discussants: Michael Shifter, Inter-American Dialogue
Francisco Rojas, FLACSO Chile
Hal Klepak, Royal Military College of Canada

Tuesday June 15

8:45 – 9:00 am *Opening Remarks – Review of Day One*

9:00 – 10:50 am *Canadian Business Involvement in the Region: Untapped potential?*

Moderator: Maryse Robert, Trade Unit, Organization of American States

Discussants: Michael Mortimore, Unit on Investment and Corporate Strategies,
United Nations Economic Commission for Latin America and the
Caribbean
David Winfield, Toronto International Leadership Centre for
Financial Sector Supervision
Kathryn Hewlett-Jobes, Multilateral Investment Fund, Inter-American
Development Bank

10:50 – 11:10 am Coffee Break

11:10 – 1:00 pm *The Future of Canadian Development Assistance*

Moderator: John Foster, North-South Institute

Discussants: Ramón Daubón, Inter-American Foundation
Lauchlan Munro, Policy and Planning, International Development
Research Centre
Guillermo Rishchynski, Americas Branch, Canadian International
Development Agency

1:00 – 1:20 pm *Closing Remarks - Priorities for Canada in the Americas*

Donald Mackay – FOCAL

FORUM PARTICIPANTS

Andrew F. Cooper, Professor, Political Science, University of Waterloo

Ramon E. Daubon, Advisor, Inter American Democracy Network, the Inter American Foundation

Edgar J. Dosman, Professor, International Relations, York University

Paul Durand, Ambassador, Canadian Mission to the Organization of American States

John Foster, Principal Researcher, North-South Institute

José L. García-Aguilar, Associate Professor, International Relations, *Universidad de las Américas*, Puebla

John Graham, Chair, FOCAL Board of Directors

Kathryn Hewlett-Jobes, Senior Advisor, Multilateral Investment Fund, Inter-American Development Bank

Hal Klepak, Professor, Strategic Studies and Latin American History, Royal Military College of Canada

Donald R. Mackay, Executive Director, FOCAL

Michael Mortimore, Chief, Unit on Investment and Corporate Strategies, United Nations Economic Commission for Latin America and the Caribbean

Lauchlan Munro, Director, Policy and Planning, International Development Research Centre

Kim Richard Nossal, Professor, Political Studies, Queen's University

Guillermo Rishchynski, Vice-President, Americas Branch, Canadian International Development Agency

Maryse Robert, Principal Trade Specialist, Trade Unit, Organization of American States

Francisco Rojas Aravena, Director, *Facultad Latinoamericana de Ciencias Sociales-Chile*

Andrés Rozental, President, *Consejo Mexicano de Asuntos Internacionales*

Christopher Sands, Senior Associate, Canada Project in the Americas Program, Centre for Strategic and International Studies

Michael Schifter, Vice-President, Policy, Inter American Dialogue

Elizabeth Spehar, Former Executive Coordinator, Unit for the Promotion of Democracy, Organization of American States

Denis Stairs, MucCulloch Professor, Political Science, Dalhousie University

David Winfield, Executive Director, The Toronto Leadership Centre for Financial Sector Supervision

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