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# **Fifth Summit Needs a Big Idea to Stay Relevant**

**Paul Haslam**

**University of Ottawa**



uOttawa

L'Université canadienne  
Canada's university



**FOCAL**

**1 Nicholas St., Suite 720, Ottawa, ON K1N 7B7**

**Tel: 613-562-0005**

**Fax: 613-562-2525**

**Email: [focal@focal.ca](mailto:focal@focal.ca)**

**[www.focal.ca](http://www.focal.ca)**

## **About the Hemispheric Think Tank Working Group in Support of the 2009 Summit of the Americas**

This paper was produced as part of the Hemispheric Think Tank Working Group in Support of the 2009 Summit of the Americas, a joint project of the Canadian Foundation for the Americas (FOCAL) and the Inter-American Dialogue (IAD) with the financial support of the Government of Canada provided through the Canadian International Development Agency (CIDA).

The Working Group brought together researchers and policy analysts from the Western Hemisphere's leading think tanks to engage in intensive debate and dialogue and develop a strong intellectual and policy foundation for preparing and conducting the Summit.

In meetings in Ottawa and Washington, D.C., attended by leading national and multilateral officials, the group explored the critical problems the Summit could address, identified key areas of agreement and disagreement among countries, deeply probed the disagreements, and, where possible, sought to develop pragmatic approaches. These discussions and research have resulted in a series of policy papers that hope to mobilize and raise awareness of the Summit amongst regional governments and civil society.

In many ways we can view the Summits of the Americas as performance art—a theatrical reiteration of Arthur Whitaker’s *Western Hemisphere Idea*—that enacts the notion that we, the nations of the Americas, share a common history and common destiny. It is this idea that forms the foundation of the current institutions of the inter-American system, such as the Organization of American States (OAS) and the Inter-American Development Bank (IDB).

But the Americas have always been cross-cut by alternative ideas that, since Simón Bolívar, have sought to undermine the Western Hemisphere Idea. Pan-Americanism and Bolivarianism are such ideas. They find their institutional manifestation in institutions such as the Rio Group and now Unasur, and have coexisted with the inter-American institutions, at times rising to challenge them, and, at times, sinking into obscurity.

Historically, inter-American cooperation has been cyclical, exhibiting periods of high cooperation followed by down-cycles. High points of inter-American cooperation include the birth of the Pan-American Union in the 1880s, the creation of the basic institutions of the system from 1933-1959, and the “third cycle” beginning in 1991 with the adoption of the Santiago Commitment to Democracy, continuing through the Nineties with the Summits of Miami, Santiago and Quebec. I would argue that this period ended in November 2003, with the effective collapse of the Free Trade Area of the Americas (FTAA) negotiations at the Miami trade ministerial, later confirmed by the failure of the 2005 Mar del Plata Summit, where summitry passed from performance art to the theatre of the absurd.

Analysts do not entirely agree why cooperation is so cyclical. All agree that ideas are important in the inter-American system. Inter-American cooperation is facilitated by the expectation that the U.S. will offer economic benefits to the developing countries of the region. The 1933-1959 period came with the expectation of a Marshall Plan for Latin America, while both the 1880s and the Summit Period revolved around the promise of “free” trade with the U.S. When this expectation proves to be a mirage, inter-American cooperation breaks down and Pan-American cooperation revives.

We may summarize the state of inter-American cooperation as follows: inter-American summitry is caught in a down-cycle; Pan-Americanism is vibrant, creative and on the up-swing; and the United States has little interest or ability to engage the region politically or economically. I think something much more fundamental has changed than simply another half-turn of the inter-American cycle: the United States no longer has the political or economic capacity to lend dynamism to the inter-American system. Following Francis Fukuyama’s rather premature prediction of the *End of History*, perhaps we may predict the “End of Hegemony”—Latin America is nobody’s backyard anymore.

The United States is simply less important economically for many of the larger Latin American countries, except Mexico. Although the single largest investor in

the region, the U.S. share of Foreign Direct Investment (FDI) inflows declined from approximately 30 per cent of the regional total over the 1998-2002 period to less than 20 per cent in 2007, according to the Economic Commission for Latin America and the Caribbean (ECLAC). Flows from developing and transition economies to the region (including intra-Latin America flows) now exceed U.S. flows. Since U.S. investment is concentrated in Mexico, this only underlines the country's growing irrelevance beyond the Panama Canal. Furthermore, many Latin American countries have discovered that rising commodity prices, fueled by global demand, may offer more benefits than the mirage of access to the U.S. domestic market. In sum, trade (even if it were possible to conclude an agreement) doesn't cut it anymore: the FTAA is no longer a big idea capable of rallying the nations of the hemisphere.

So with Latin America getting together politically and economically, what happens to the Summits and the other inter-American institutions? The OAS will probably continue to play a key role for Latin American nations (as it always has) in managing the risk of the United States' intervention in their affairs. This scenario would see the OAS doddering along and Summits continuing to generate laundry lists of "action items" that improve bureaucracy-to-bureaucracy coordination on technical issues but lose the dynamism and *élan* brought by the more ambitious Summit agenda items of the past.

The invigoration of the Summit process requires a big idea that fits with the historical reasons for the upswings of the inter-American system. Rather than Pan-American, it should be inter-American and must, for its success, include the U.S. and Canada. It must promise to transfer resources from the two rich economies to the less wealthy ones, be economically feasible in the current climate (meaning it does not require more foreign aid dollars), and be politically saleable everywhere. I briefly outline two such ideas below.

- 1) A reformed FTAA that is more institutionally robust and explicitly concerned with poverty alleviation. Free trade by itself is no longer saleable or believable, thanks to the U.S. position on agricultural subsidies. Instead, the Mexican proposal of several years ago for a redistributive institution linked to a trade agreement should be revived. Liberalized trade flows could be taxed at some minimal non-distorting level such as one per cent, and redistributed through an equalization formula. Such a scenario could address the concerns of small island states who were unambiguous losers from full scale trade liberalization, due to the proportion of government receipts derived from tariffs. Furthermore, Canada could offer a certain expertise on equalization. Perhaps most importantly, such an arrangement would not only lead to a net liberalization of trade flows, but would strengthen the inter-American system by directly linking it to poverty alleviation, and help address the region's terrible injustices in income distribution.

2) A Hemispheric Emissions Trading Exchange. The Chicago Climate Exchange, based on voluntary private sector commitments (rather than nationally-established cap and trade systems) could be a model, or even the parent exchange, during the initial phase of such a plan. The key would be to design a mechanism that principally works to channel northern (private sector) resources into emission-reducing projects in Latin America. Such an idea would fit with concerns about global warming (particularly relevant to island states), but also represents an avenue for financing Latin American firms and contributing to technology transfer and upgrading, both longstanding concerns in Latin America.

In conclusion, the Fifth Summit of the Americas faces the challenge of coming up with a “big idea” that is capable of re-invigorating inter-American cooperation or limiting itself to the further proliferation of bureaucratic level commitments, and perhaps the collapse of regional summitry altogether.

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La Fundación Canadiense para las Américas (FOCAL) es un instituto independiente que se dedica al fortalecimiento de las relaciones entre Canadá y los países de América Latina y el Caribe mediante el análisis y el diálogo sobre políticas. Buscamos la creación de nuevos vínculos y opciones de política para el Hemisferio Occidental a través de la investigación que aborda soluciones sobre temas sociales, políticos y económicos. FOCAL promueve buena gobernabilidad, prosperidad económica y justicia social, basando nuestro trabajo en principios de integridad intelectual, diversidad racial y equidad de género.

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