

Presentation to the Sub-Committee on International Trade, Trade Disputes and Investment of the Standing Committee on Foreign Affairs and International Trade

On April 21, 1999 Martin Roy, Policy Analyst of the Canadian Foundation for the Americas made a presentation to the **Sub-Committee on International Trade, Trade Disputes and Investment of the Standing Committee on Foreign Affairs and International Trade**. The following is a modified text from the Hansard record.

I will begin with some background on the Canadian Foundation for the Americas. Known as FOCAL, we are Canada's premier policy centre on the Americas. We monitor developments in Latin America and the Caribbean, and organize conferences and workshops with experts on hemispheric affairs. We then provide analyses and recommendations to decision-makers on the issues we talked about at those conferences.

In October 1998 FOCAL had a major conference on the Free Trade Area of the Americas (FTAA). We also had a workshop with Laval University's Institut québécois des hautes études internationales. Joël Monfils represents the Institute.

To begin with, I would like to mention that in its presentation FOCAL addresses a number of issues that have been on the periphery of the debate in Canada on this issue, including the general linkage between Canada's trade and foreign policies, specifically in the Americas. We have also attempted to carry out a systematic review of Canada's goals in relation to the FTAA, goals that are not always evident at first glance.

To that end, we attempted to answer three major questions:

- What goals has Canada pursued thus far in relation to the FTAA?
- To what extent do Canada's positions and strategies in the negotiations support those goals?
- To what extent are those goals valid or achievable?

In looking at those questions, we included in our analysis some non-traditional elements of the current debate. For example, what are the consequences of the stances Canada takes on its positioning in the region? We know that Canada wants to become an important player in the Americas. So, we tried to determine what the consequences of its policy positions might be. We also tried to review Canada's trade positions on the FTAA in relation to the regional context—in other words, the current reality in the Americas. As you know, particularly as far as trade is concerned, there are a number of economically integrated groups, various integration philosophies, as well as various degrees of economic development. So, we tried to see whether Canada's policy was rooted to any extent in the regional context.

So, what are Canada's goals? These are not always evident. It was only through systematic review of the statements and comments made by our representatives that we were able to more or less identify three major goals, which have been fairly constant since 1994:

- diversifying trade relations and accessing new markets;
- promoting multilateralism through the establishment of high level discipline and trade standards; and
- increasing Canada's influence both regionally and internationally.

The first two considerations are what might be called "traditional" considerations. For Canada, given its close relationship with the United States, it is a matter of countering or perhaps mitigating the effects of its dependency on the United States, and perhaps even countering the United States' unilateralism in the context of trade agreements. For example, Canada has always been an ardent defender of multilateral institutions, as they are probably the vehicle which best serves its interests.

As far as Canada's regional and international influence is concerned, we observed that at the end of the Cold War, Canada's influence began to wane on the international scene. It has tried to regain that influence in a number of regions, at both the political and trade levels, in both Europe and Asia for example. Canada also saw the Americas as a platform for its international policy.

Canada has developed specific positions to support those goals. With respect to its diversification strategy, very early in the process, even before the discussions on the FTAA even began, Canada tried to broaden the North American Free Trade Area agreement (NAFTA) to include other members, particularly Chile. Subsequently, given a certain reluctance on the part of Latin American countries to accept the NAFTA agreement as a model for the Americas as a whole, Canada proposed an FTAA that would include as many countries as possible.

With respect to multilateralism, Canada sees agreements such as NAFTA and possibly the FTAA agreement as a model or platform—a testing ground of sorts for the WTO trade negotiations. So, Canada sees this as essentially complementary.

Regarding its market penetration strategy, we are all pretty familiar with Canadian initiatives in that area. The best known of those initiatives are probably the Team Canada trips in 1994 and 1998. As part of the current negotiations, Canada has focussed on multilateralism and tried to ensure that an FTAA is negotiated as quickly as possible.

One of Canada's first proposals to that end was to set the year 2003, rather than 2005, as the deadline for completing the negotiations. However, because a number of Latin American countries were reluctant to go along with that suggestion, Canada advocated interim agreements. The idea was that in certain areas, if there was sufficient progress, agreements could be concluded in those specific areas, such as investment or market access. That is something Canada has been pushing heavily in the current negotiations.

However, Canada's recent behaviour on the free trade front suggests two apparent shortcomings as regards trade policy formulation, namely a certain ambiguity in terms of the goals and interests to be prioritized, and a still incomplete assessment of the consequences of Canada's stances on its positioning in the region.

A lack of consistency can be noted in terms of the strategies and actions intended to support those goals. For example, there is the famous debate on bilateralism, as opposed to multilateralism. While on the one hand, Canada is taking on the role of defender of global multilateralism by promoting an FTAA based on high-level trade discipline, on the other hand, it is signing more and more bilateral agreements with a view to achieving preferential access to Latin American markets. Some authorities, such as the WTO trade policy review mechanism, through which Canada's trade policy was reviewed again this year, wonder about the scope of these bilateral agreements (which are often felt to be discriminatory), their mutual compatibility, their effect on trade flows and, ultimately, the possibility of extending the provisions and benefits to as many countries as possible.

Indeed, there is reason to question the compatibility of Canada's goal of promoting multilateralism and those aimed at achieving closer ties with a number of Latin American countries, including Brazil. In that respect, it is important to consider that the regional integration model favoured by Canada in the current negotiations has meant that Canada has developed negotiating positions similar to those of the United States, which is reasonable, given the similarity and proximity of the two economies. However, it is important to ask what the consequences might be for Canada's strategy of establishing closer ties with Latin American countries if it were to take a stance similar to that of the United States in the negotiations. In the case of Cuba, Canada makes use of a number of different instru-

ments setting its foreign policy apart from that of the United States at various levels. As far as its trade policy is concerned, however, there seems to be no such concern.

One also notes a certain lack of realism as regards some of the goals advanced by the Canadian government, such as the one that states that the FTAA would allow Canada to more effectively mitigate the effects of our dependency on the United States and contain the latter's unilateralism. This assumes, among other things, that the FTAA would allow Canada to make more substantial gains than those achieved through NAFTA. It remains to be seen whether the gains being referred to are of an institutional nature—in other words, whether provisions included in NAFTA, such as anti-dumping measures, would be renegotiated—or whether they have more to do with the number of players included in the agreement.

On the institutional front, the anticipated gains would be minimal, given the divergence of opinion among the different countries of the Americas on the scope of the FTAA. I am referring in particular to the presentation made by a colleague, Jean Daudelin of the North South Institute, who made the same observation yesterday: the positions of the main players at this time—the United States and Brazil—are still quite far apart and that progress is unlikely to be made in the short term in that area.

On the diplomatic level, it would be surprising if the countries of the Americas were able to contain the United States' unilateralism considering that the U.S. sees its own interests as vital.

That completes my comments with respect to the ambiguities and unrealistic nature of certain positions. We observed one thing before addressing Canada's goals and proposals: that there seems to be a certain ambivalence in the positions taken by Canada regarding its roles regionally and globally. Does Canada want to be one of the main players in the region of the Americas? Does it define itself first and foremost as a global trader or as a regional player? That clearly creates certain tensions. In this case, should we be prioritizing a high level of discipline and focussing on the WTO, or should we instead be adapting to the regional reality?

In my view, it is time that Canada prioritize its goals and make more objective choices. The first option for Canada would be to prioritize multilateralism. In that case, if we use the FTAA as a vehicle for promoting multilateralism, Canada will have to maintain a relatively rigid position as far as the level of discipline is concerned, but it is important to realize at the same time that an approach based on closer ties with MERCOSUR countries, for example, could have some costs attached to it.

Given that the trade negotiations are moving rather slowly, that it is unlikely that any institutional gains could be made before 2005 and that this process will not move any faster than the WTO talks, Canada could prioritize an approach emphasizing its regional integration that would be more sensitive to the concerns of some Latin American countries with which it is interested in developing long-term relations.

There would also be one final scenario or option, which would be to give priority to rapid market access. In that case, Canada could continue to try and sign bilateral agreements, in order to gain as much ground as possible before the Europeans arrive in the Americas. Because the Americans are not moving much in that area, Canada could take advantage of the markets, but in this case, it would run the risk of turning away from one of the fundamental goals of its trade policy, namely promoting multilateralism.

Thank you.