



# FOCALPoint

Canada's Spotlight on the Americas

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## Criticism Against Alberta's Foreign Temporary Workers

Alberta's Employment and Immigration Division received 800 complaints from temporary foreign workers over the past three and a half months, according to recent media reports. Public officials revealed that the majority of complaints concerned perceived unfair wage deductions, fees charged by recruitment agencies or employers, and housing issues. Although at least 85 work sites have been visited by officials to make sure employment, health and safety standards are being met, the province has yet to lay any charges. The province did however recently announce \$700,000 to inform foreign workers of their rights under Alberta labour and safety laws.

## Trade Agreements and Prosperity: Are We Overselling the Link?

Laura Ritchie Dawson

In a March 2008 speech in Ottawa, Canadian Minister of Foreign Affairs Maxime Bernier noted that a core objective of Canada's engagement in the Americas is to enhance prosperity in the hemisphere. The minister noted that Canada's free trade agreements with United States, Mexico, and Chile has been "key to improving the lives of citizens" because they "have deepened engagement with our partners well beyond the economic agenda." However, the minister also noted that "[f]ree trade alone... is not enough to ensure our mutual prosperity." He identified a number of other necessary conditions, including attention to corporate social responsibility, research and development, investment, labour markets and natural resource management.

Despite this balanced message that free trade agreements *can* help to increase prosperity but do not guarantee it, it is also the case that the FTA initiatives continue to be a favourite instrument of many governments when an "announceable" is required for a priority state or region. Why? First, because an FTA is a tangible policy instrument. We are much less certain about what constitutes "attention" to labour markets or natural resource management. Second, the agreements are highly technical, so it is difficult for the public – sometimes even the negotiators – to assess whether a good agreement has been struck. Third, despite the public's limited knowledge of the technical aspects of an FTA, they do expect that negotiations will be protracted affairs that can drag on for years – even decades – situating the results well beyond the responsibility of the current government.

What can be achieved by trade agreements? In the post-war decades, trade

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## Note from the Editor

**T**hey are calling it the “new face of hunger” — the sharply rising food prices that have made staples unaffordable in many regions of the world. But it could also be called the new face of inequality. Rising food prices, after all, are great news for Canadian farmers, who have seen wheat nearly triple in value since mid-2006. Corn, soy and numerous other crops have also skyrocketed in price, and many farmers and manufacturers are reaping the benefits.

On the other side of this story, poor populations throughout the world, accustomed to cheap food, can no longer afford basic commodities. Food riots have broken out in Europe, Latin America, Africa and Asia. Countries such as Egypt, India, Vietnam and Cambodia have slashed rice exports in order to conserve supplies for their own citizens. But rice is a staple food in over half the world — including Latin America and the Caribbean — and the shortage is having immediate and painful effects. Even the World Food Programme is feeling the sting and may need to reduce certain feeding programs, which will exacerbate the crisis for so many who rely on this aid to survive.

The rapid price increases are largely driven by the emerging wealth in China and India, where energy consumption is increasing and predominantly vegetarian societies have shifted to eating more meat products. In China alone, per-capita meat consumption has risen 150 per cent since the 1980s. But meat is a very inefficient way to feed the planet — you can feed many more people on grain directly than you can on grain-

fed animals. Other causes for high prices include rising energy costs, increased demand for corn-based ethanol and other bio-fuels, and Australia's lengthy drought. As more grains get diverted to producing fuel and feeding livestock, there is less and less for human consumption.

So what does this mean for Latin American and Caribbean populations? For some, especially in Argentina and Brazil, it could mean increased wealth. Corn, soy and sugarcane are grown widely throughout the Americas, and farmers of these products will likely benefit from the world's supply shortage. For others, especially in the Caribbean islands that import the vast majority of their foodstuffs, the high prices mean that poor people will spend increasingly larger portions of their income on food. With less disposable income to spend on other items and services, there may well be serious effects on the wider economies of these countries and those that export to them. Decades of food aid from Canada and other heavily subsidized wheat-producing countries have also altered traditional diets. Many populations have become accustomed to non-native wheat products through massive surplus dumps, but they do not (or cannot) grow wheat themselves. Now, their daily bread is unaffordable.

So the rich get richer as the poor go hungry? It is not a new story, but it is a new version. As Inés Bustillo mentions in this edition of *FOCALPoint*, it has taken Latin America 25 years to reduce poverty to 1980 levels. With landowners and large-scale farmers in the region getting wealthier, overall poverty might continue to decline. But inequality gaps will widen once again if the poor cannot afford food and farmers turn to more profitable export markets.

We chose to focus this month's *FOCALPoint* on issues of poverty and inequality, which the food crisis clearly illustrates, and several of the articles discuss both the potential and the pitfalls of using trade as a development tool. Access to free markets can certainly benefit many people, but the rapidly increasing food prices associated with those markets is also hurting millions of the world's poorest citizens. How do we reconcile the two? If we do not seek a balance between social assistance, government intervention, and free market enterprise, the poor will once again be locked out as food becomes a luxury only the wealthy can afford. 🌍

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## Trade and Prosperity *(continued from page 1)*

negotiations were mostly focused on tariffs and other border measures that impeded the passage of a good from a willing buyer to a willing seller. Now, the era of “easy” trade negotiations is over. The issues have become much more complex and much less consistent with the principles of distributive bargaining.

What is left in the hands of modern trade negotiators are the most politically sensitive issues, such as agricultural subsidies, and the most complex, such as investment, services and intellectual property. Furthermore, in an integrated global economy, measures behind the border are just as important as the regulations applied at the frontier. The new trade agenda demands attention to building knowledge resources, infrastructure, competitiveness and transparency.

How much headway can trade negotiators make on these issues? They are difficult enough when negotiated between countries of similar levels of development. In Canada’s proposed agreements with countries in the hemisphere, such as CARICOM, there is also a development dividend implicit in the negotiations.

A paper by Ramesh Chaitoo and Ann Weston (forthcoming in the journal *Canadian Foreign Policy*) sets out an ambitious development agenda for the prospective agreement. It includes enhanced labour market access for temporary workers, reduced barriers to professional certification, and expanded opportunities in services that include ca-

capacity building to help small Caribbean firms take advantage of Canadian market access.

Initiating a trade agreement, however, is not nearly as difficult as completing one. Agreement completion requires that commercial enterprises that have identified future benefits from a prospective agreement energetically and persistently articulate these interests to govern-


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ignored.

ments. When governments only hear from those who are unhappy about an agreement, negotiations become consigned to the purgatory now occupied by the FTAA, the Canada-CA4 agreement and perhaps the Doha Development Round as well.

With CARICOM claiming only 0.02 per cent of Canadian goods exports, the commercial argument for a trade agreement is very difficult to make. Similarly with the demands

of the Caribbean negotiations focusing as much on commercial capacity building as on market opening, the prospective negotiations will have to include a serious role for CIDA on the development side, as well as with government departments with specialized expertise in infrastructure, research and development, legal reform, and labour market access, among others.

It is not likely that the sorts of capacity building commitments required by CARICOM can (or should) be scheduled into a trade agreement. However, an alternative proposal is that the parties pursue a modest FTA that covers such trade issues as conversion of non-reciprocal preferences and treatment of investment, but link this to a side agreement containing a fixed-term plan for commercial capacity building and support.

A trade agreement that takes on the weight of too many other issues (e.g., development, environment, labour) becomes unworkable, but this doesn’t mean the other issues should be ignored. Rather, we need to create a framework for trade and development that is serious enough to ensure compliance, but flexible enough to adapt to changing needs and priorities. Canada’s commitment to prosperity in the hemisphere demands that we re-configure our approach to trade and development. 

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## The Fight against Poverty in Latin America

*Inés Bustillo*

**F**ifteen million people in Latin America escaped from poverty in 2006 and 10 million people classified as indigent ceased to be so, according to the most recent estimates by the UN Economic Commission for Latin America and the Caribbean (ECLAC). With this, the number of poor people stands at 36 per cent of Latin America's population (194 million people), with 13.4 per cent (71 million) in extreme poverty.

These figures, which are the lowest in 25 years, suggest that for the first time since 1990, the total number of people living in poverty dropped below 200 million. Projected per capita GDP growth for Latin America in 2007 would allow further progress, as the number of

people living in poverty and in indigence will likely lower to 190 million and 69 million, respectively. This advance, however, should not obscure the fact that poverty levels remain very high. It has, after all, taken 25 years to reduce poverty back to 1980 levels.

Encouragingly, the region as a whole is on track to meet the first target established by the UN Millennium Development Goals of halving the 1990 extreme poverty rate by 2015, as the ECLAC *Social Panorama 2007* report indicates. Latin America's projected extreme poverty rate for 2007 (12.7 per cent) is 9.8 percentage points below the 1990 figure (22.5 per cent). With this, Latin America is already 87 per cent of the way towards meeting the

first target when only 68 per cent of the time period allotted for that achievement has passed.

These advances in the fight against poverty are the result of sustained per capita GDP growth registered between 2003 and 2007 (more than three per cent per annum). This growth has allowed most countries to reduce unemployment and levels of poverty and indigence, and has brought improvements in income distribution to others. Social policies and programs implemented over recent years have also played a role.

Despite the positive regional forecast, however, differences between countries are significant. Of the 17 countries for which information exists, only four (Brazil, Chile,

### New Crises in Haiti

This past week in Haiti witnessed a shooting on the floor of Parliament, a "chimere" type rally outside of Parliament to prevent a non-confidence vote against the Prime Minister, and the fleeing across the border of the Vice President of the Senate. The shooting occurred when MP Ysidor Joseph Mercier of the Rassemblement des démocrates nationaux progressistes (RDNP) party brandished a gun after a deputy accused him of participating in a scheme to overcharge for tires on his official car. Deputies receive an allowance for 5 tires per session, but some opposition deputies had been accused of charging for over 80 tires. The scheme was discovered as part of a larger review of the Parliament.

Perhaps more troubling were the attacks against Senator Rudolph Bulous (of the Fusion party) who had been elevated to the post of Vice President of the Senate by his colleagues only a few weeks ago. Senator Bulous has been charged with the crime of having a U.S. passport and therefore being unqualified to sit in the Senate. The attack sends a troubling message to the Haitian diaspora, which is largely responsible for keeping the country afloat through the over US\$1 billion in remittances each year. It is also troubling to the private sector in Haiti and to foreign investors that this jockeying for political power is clouding other considerations. Guns in Parliament, bloated civil services, misuse of donor money and the removal of one of the most qualified senators in Haiti are all worrying signs. Any reaction by donors, however, might fuel a nationalist backlash and make matters even worse.

Ecuador and Mexico) have reached the target already, while five (Colombia, El Salvador, Panama, Peru, and Venezuela) are on track toward reaching it. Eight countries (Argentina, Bolivia, Costa Rica, Guatemala, Honduras, Nicaragua, Paraguay, and Uruguay) are still behind to differing degrees.

In addition, overall poverty reduction in the region has been accompanied by improvements in the distribution of income in several countries. The Gini coefficient (the most widely used inequality indicator) fell in Argentina, Brazil, Chile and Venezuela between 2002 and 2006.

Yet this significant, albeit fragile, progress should not eclipse the fact that Latin America continues to be highly inequitable. Inequality of income, for example, is matched by a highly unequal distribution of productive assets, mainly land, capital, education, and technology. Better access to these assets is essential for both growth and equity.

One particularly important aspect of challenging both poverty and inequality has been labour market performance: countries where poverty has decreased the most show highly dynamic labour markets with increases in employment being bolstered by increases in labour income. After more than

a decade of steadily rising unemployment (from 1990 to 2002, the average weighted urban unemployment rate rose from 6.2 per cent to 10.7 per cent), sustained economic growth has led to a gradual improvement in labour markets, with higher job creation and declines in the unemployment rate. Increased

improved per capita income among the region's poorest households. In this regard, the role of public social spending in poverty reduction needs to be highlighted. Public social expenditure as a percentage of GDP has tended to converge at 16 per cent of GDP since 2002, increasing by 50 per cent since 1990 in per

capita terms. Significant differences, however, persist among countries, for the most part due to diverse levels of economic development. Moreover, despite considerable advances in reducing extreme poverty, the level and structure of public social spending falls short of meeting the social needs of the vulnerable population.

As ECLAC's report notes, the institutionality that underlies the level and structure of public social expenditure — and that conditions the impact of social policy on poverty and inequality — still leaves much to be desired.

While expenditure has increased well-being among the poorest and has made a significant impact on

inequality, its levels are too limited to counteract inequities that are the product of primary incomes.

At the same time, increases of recent years have given priority to the area of social security, where the distributive impact is less. Increases in education, health and social as-

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employment from greater growth and from a decrease in the ratio of dependents to job-holders (the so called "demographic bonus") has led to lower poverty.

Also, poverty reduction programs, pensions, and remittances from abroad have contributed to

sistance, where distributive impacts are greater, have been relatively less important. Also, many countries must undertake additional efforts to reverse the pro-cyclical behaviour of public social expenditure in order to maintain a stable system of social protection for their most vulnerable populations.

As Latin America's recent experience shows, sustained economic growth is necessary for poverty reduction, especially when it translates into more and better jobs for the poor. However, growth alone cannot overcome the range of factors that drive the intergenerational reproduction of poverty. This calls for the active participation of the State through the implementation of social programs and policies, as well as labour market policies geared toward poverty reduction.

Moreover, the proper management of social policies — such as making expenditures countercyclical as well as increasing their progressivity, and improving public finances — through changes in the level and composition of the tax burden are crucial to sustain poverty reduction programs.

In this context, progress in the fight against poverty and inequality demands a comprehensive policy framework that combines universal and compensatory protection networks, with an economic policy design that explicitly incorporates social objectives. 🌐

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## Trade Related Technical Assistance and the New Trade Policy Agenda

*Brian McKay*

In the ongoing debate about the impact of trade on development, clearly there are many issues that still need to be explored. For example, is it increased trade or increased investment that is the key benefit from trade deals? Is it realistic to assume that poverty reduction can be assisted by increased trade? Do traditional trade deals encompass enough aspects to have an impact on development, or should we be looking at a broader paradigm of economic partnership? And finally, what is the role of trade related technical assistance and capacity building?

These are but a few issues that require further investigation. One thing, however, is certain. Negotiating trade deals has become more difficult, and so has implementing them. The days of reducing tariffs are over and, increasingly, technical barriers to trade (TBT), and related issues such as sanitary and phyto-sanitary measures (SPS) demand significant attention. If developing countries have any hope of accruing the potential benefits of

new trade agreements, they need to be able to secure existing markets and take advantage of new opportunities. Effective standards and improved quality are key components of achieving international competitiveness.

Within the world of sanitary and phyto-sanitary measures, business facilitation measures, metrology and quality standards, the amount of institutional capacity and infrastructure required to facilitate trade is astounding. Significant technical and scientific organizations — national and regional laboratories for example — are essential.

But it is not enough to have a laboratory in place. These labs need to be accredited to cover the specific tests for that laboratory. It is likely daunting for a middle-income country to establish these platforms, all of which are required to be at international standards or higher. It must be truly frightening, then, for a least developed country.

But this is what is required in today's world, and it is not getting any easier. As one example, a term often

The days of reducing tariffs are over. Technical barriers to trade and related issues now demand significant attention.

used these days is “National Quality Infrastructure.” This term describes quality as the result of the integration and coordination of a series of activities in several interrelated subjects: metrology, standardization, testing, accreditation, and certification.

The logic behind the National Quality Infrastructure is that it starts with measurement, standards and accreditation of products and services, an accreditation that can take the form of a seal of quality. An independent authority is in charge of accreditation, making the process trustworthy and internationally recognized — thus the quality. Quality certification and accreditation, together with the price of the products and services and the ways in which these are provided, guarantee competitiveness in national and international markets.

This is no small undertaking, and it is just one area of the institutional infrastructure necessary to successfully take advantage of existing and new trade opportunities that may arise from new trade agreements.

Let’s take another example. Currently in Costa Rica, TDV Global Inc. is providing technical assistance and capacity building activities to the National Animal Health Service (SENASA). The objective of the project is to assist Costa Rica to secure existing markets and open up new ones for its beef industry — in effect, to change the status of its OIE BSE risk ranking. The project is pro-

viding a carefully planned sequence of activities to achieve this goal, and it is a tremendous amount of, in some cases, highly technical information.

Fortunately, Costa Rica has a solid organization staffed with well-qualified professionals, and a sound legislative framework, which provides fertile ground for the assis-

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tance to produce results. Many other countries do not have these basic elements in place.

So what is the role of technical assistance and capacity building? Given the increasing complexity of the world trading system, largely as a result of non-tariff barriers, there has been an explicit recognition by multilateral institutions such as the WTO that technical assistance and capacity building have a critical role to play. The statement that trade must be mainstreamed into national development agendas if countries

are to accrue the benefits of trade has been voiced time and time again. In fact, there are some programs, such as the WTO’s Enhanced Integrated Framework, that try to do just that. Unfortunately for the LAC region, only Haiti qualifies for this program — and one can certainly question how effective the Integrated Framework has been.

What has been more the norm is that a developing country announces a trade deal with a LAC country or sub-region, and alongside announces a package of technical assistance and capacity building. This falls far short of mainstreaming trade into national development agendas. The FTAA had the Hemispheric Cooperation Program, under which countries developed National Trade Capacity Building Strategies (NTCBS). But for the most part these were developed by Trade Ministries.

It is questionable how many, (if any) of these NTCBS have actually been incorporated into national development plans and priorities. It is also unclear if countries that have identified their trade opportunities have strategically addressed technical barriers to trade, as well as the investment of time and resources to develop the infrastructure that will ensure competitiveness.

In summary, trade agreements are not worth much if a country cannot implement them and take advantage of the potential opportunities.

In many cases, this will require a long-term commitment to institutional strengthening in critical and strategic areas. Such a commitment can only be accomplished by prioritizing these areas in a country's national development plans, which is the country's responsibility. But technical assistance and capacity building packages developed to accompany trade negotiations do not offer this long-term commitment.

Developed countries must become serious about long-term approaches to trade and development issues and not leave everything to an announcement on a trade negotiation. Some countries already have ongoing programs — many others do not. A more consistent, stable, long-term approach to technical assistance and capacity building programs by all development institutions would certainly be welcome in today's trade environment. 🌐

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## **Inequality in the Ecuadorian Andes: Jambi Huasi and Indigenous Women's Health**

*Carrie Dickenson*

**I**ndigenous women are disadvantaged threefold because of their sex, ethnicity and rural residency patterns, according to a recent report from the Pan American Health Organization (PAHO). Their reproductive, domestic and productive labour means that they have higher rates of morbidity and mortality than their male counterparts.

Lack of access to health care, education and employment, in addition to discrimination and cultural misunderstandings, explain these disparities. Particular health problems for indigenous women in Ecuador include maternal mortality, anemia, genital and urinary tract infections, stillbirths, vaginal fissures, alcohol and drug abuse, high suicide and violence rates, liver disease, malaria, cholera, mental health problems and cervical cancer.

In addition to substantial health issues, serious contradictions surround local efforts, such as Jambi Huasi in Ecuador, in combating these problems. Despite praise by the Ecuadorian Government, grassroots initiatives focused on indigenous women's health remain underfunded and in a precarious state of existence.

In response to increasing national and international recognition of indigenous health problems, in 2007 Ecuadorian president Rafael Correa announced his government's intention to focus on intercultural models of health care that take into account the country's heritage, diversity and indigenous forms of medicine. Given this statement, and the additional assistance of the Ministry of Intercultural Health and the Health Program of the Indigenous Peoples of the Americas elaborated

## **Argentinean Farmers Protest Export Tax Increase**

Farmers in Argentina are taking a break from a three-week strike protesting an increase in export taxes on soy and other agricultural products such as corn, wheat and beef. On March 11, export taxes on soybeans increased from 35 per cent to 45 per cent. The break will last for 30 days in order to see if there an agreement can be reached with the government. The strike led to shortages in meat, milk and vegetables in the country. The last time farmers imposed food shortages on the country was in 1976 before a military coup. According to President Christina Kirchner, the taxes are necessary for inflation controls. Farmers say that they were not consulted on the decision and that the levies prevent domestic producers from turning a profit. The strike leaders warn that they are not dropping their demands that the rise be revoked, but are simply "taking a break to talk."



by PAHO for 2005–2007, a theoretical foundation has been established to address the problems associated with indigenous people's health in the region. The recognition of the bleak reality of indigenous women's health, however, was not pioneered by federal authorities. Such related issues remain restricted to conceptual discussions at the national level and are largely absent in the discourse. Almost a quarter of a century ago, local initiatives to combat maternal mortality and educate women about their reproductive rights were spearheaded by organizations such as Jambi Huasi.

In 1984, Dr. Miriam Conejo created Jambi Huasi to address reproductive and family planning issues among indigenous women in Ecuador. In a United Nations Population Fund (UNFPA) article entitled *Working with Indigenous Communities in Ecuador*, Dr. Conejo remarked, “[n]ot only do we provide a full constellation of reproductive health and family planning services but we do so in a culturally sensitive fashion, taking into account the special needs and concerns of our clients, who are mainly Quechua-speaking natives.”

While the idea of free health services to indigenous people by indigenous people (*nosotros para nosotros*) received praise from the Ecuadorian Ministry of Public Health, efforts to put the guiding principles of Jambi Huasi into practice re-

mained localized and left primarily to Dr. Conejo. Moreover, hesitation at the local level towards accepting the importance of family planning practices, coupled with the skepticism of Western medical professionals towards indigenous concepts of medicine, made Dr. Conejo's vision difficult to implement at a national level.

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With significant support from UNFPA, Jambi Huasi was able to include the *mestizo* population by offering two options for health care: traditional and western medicine. Indigenous medicine was provided by what were referred to as *Jambikunas* (a midwife and a traditional

healer) and western medicine came in the form of an oncologist and pharmacist.

In order to further these efforts, community outreach also became important and the clinic focused on educating indigenous people on individual and social rights to strengthen their concepts of respect, dignity and identity. Yet the provisions provided by UNFPA have been limited. As a result, Jambi Huasi has been forced to charge user fees to sustain its services — a cost that has significantly limited its growth.

Even though the clinic managed to reach a number of indigenous women and expand its services, it experienced a variety of forms of resistance from within the organization itself and from the community, exposing the contradictions inherent in advancing the rights of indigenous women and their particular medical issues. Staff and other health practitioners remained hesitant to accept indigenous visions of health care.

Racism and gender discrimination further prevented staff from learning about indigenous conceptions of health, and indigenous patients remained hesitant in dealing with professionals. A study conducted by Jambi Huasi found that 40 per cent of rural women did not access health services and that 42 per cent of babies born had mothers under the age of nineteen. In order to address some of these

problems, the clinic created a project to involve women in strengthening reproductive and family planning services by educating them at the community level.

Despite regional and national resistance, Jambi Huasi's research led to a sexual education program for adolescents in schools and bilingual (Quechua-Spanish) colleges. This program appears to be working, as contraceptive rates have increased from 10 per cent to 40 per cent, according to the report *Working with Indigenous Communities in Ecuador*.

Because of the success of these initiatives, the Ecuadorian Government has begun to pay more lip service to clinics like Jambi Huasi. Yet, continued awareness and financial support need to be brought to bear on the work of local organizations to ensure the reproductive health of indigenous women becomes an important part of the discourse. Furthermore, Jambi Huasi's activities should stand as an important model for the rest of the region.

Integration into the community and an appreciation and understanding of indigenous beliefs remain the keys to the clinic's success in dealing with women's health issues. In the end, while national acknowledgment of the problems that plague indigenous women seem encouraging, unless the Correa administration follows up on its rhetoric with substantial financial aid, the gains made by organizations such as Jambi Huasi will be jeopardized. 🌐

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## Canada and Colombia: The Prospects of Free Trade

*Whitney Ersman*

With the current impasse of multilateral talks at the World Trade Organization, Canada has begun to look elsewhere in an effort to increase market access for its exporters and investors. In addition to participating in NAFTA, one of the two largest trade blocs in the world, Canada has signed a series of bilateral FTAs with nations such as Chile, Costa Rica, and Israel, as well as with the members of the European Free Trade Association, since the late 1990s.

One of the latest proposals to further extend the current government's foreign policy and development objectives of deepening Canada's engagement in the Americas is the establishment of a Canada-Colombia FTA, first proposed by the Minister of International Trade, David Emerson, in July 2007. Since the Harper government successfully concluded negotiations for a similar

agreement with Peru in February, the outlook for this FTA between the governments in Ottawa and Bogotá appears optimistic at first glance. Upon closer examination, however, its prospects are far more uncertain.

The first stumbling block with the proposed Canada-Colombia FTA is that it is simply the next in a series of bilateral and regional arrangements until the Doha Development Round makes headway in the area of agriculture. Canada's bilateral and regional trade agreements, excluding those made with the United States, generally only account for a minimal percentage of the country's total trade. Furthermore, this strategy is sometimes deemed to be the resurgence of the so-called "Third Option," first proposed by former Prime Minister Trudeau during the 1970s in an effort to diversify Canada's trade flows

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away from the United States. The C.D. Howe Institute recommends that Canada should “stop sending Canadian trade negotiators off for marginal bilateral talks with an archaic list of protectionist thou-shalt-nots,” and instead, the country (and DFAIT for that matter) should refocus its attention on the ever-thickening Canada-U.S. border, over which \$1.5 billion a day in cross-border commerce occurs.

On a similar note, the Canadian Council for Chief Executives proposes that, in addition to pursuing the Security and Prosperity Partnership, Canada should “pursue agreements such as foreign investment protection and promotion agreements, tax agreements, science and technology agreements, regulatory cooperation agreements and air services agreements” with emerging Asian economies and the European Union, not with Latin American na-

tions.

Since the United States accounts for roughly 80 per cent of Canadian trade, a general consensus has emerged amongst key stakeholders which asserts that Canada should concentrate on deepening and further stabilizing its trade relationship with its neighbour to the South, especially in light of the recent protectionist sentiments expressed by the presidential nominees of the Democratic Party.

By pursuing relatively small regional and bilateral trade arrangements with countries such as Colombia, these organizations deem that the Harper government is simply misallocating its resources and misjudging its priorities at a critical time for Canadian trade policy.

The second major stumbling block that has appeared as negotiations progress between Mr. Harper and Mr. Uribe’s governments is that

of human rights, an issue repeatedly highlighted by groups such as Human Rights Watch and Amnesty International Canada. In December, these organizations issued letters to the Prime Minister as well as to Mr. Emerson that expressed concern over Canada’s desire to quickly finalize the FTA with Colombia. The organizations were also concerned about Canada’s lobbying of the American administration to follow in due course with the U.S.-Colombia FTA.

In addition, several members of the opposition, such as Liberal Trade critic Navdeep Bains and NDP Trade critic Peter Julian, have echoed these opinions and declared that Mr. Harper’s government is proceeding too quickly into negotiations with Colombia without having properly examined the human rights issue.

This sentiment is further shared

## Cuba: Cell Phone Bans Lifted, Blogger Shut Down

In a symbolic move of increasing Cuban freedoms, Raul Castro’s government recently lifted the controversial ban on Cubans staying in luxury “tourist-only” hotels. Hotel workers are celebrating the policy change, despite the expectation that not many Cuban guests will be staying there due to the high costs. This has been the latest in a string of changes that the younger Castro has instigated in Cuba. Since replacing Fidel Castro in February, he has legalized a range of products and services previously illegal for Cubans. Last week, cell phone ownership was also newly permitted, as well as the purchase of electronics like computers and DVD players. These changes may be an indication of a possible revaluation of the Cuban peso and the removal of the dual-currency system that contributes to widespread poverty. State salaries are paid in pesos, while most purchases are made in convertible pesos (CUC) with an exchange rate of 24 Cuban pesos to a CUC. This makes it almost impossible for those living off government salaries to survive, despite free health care, education and food ration subsidies. Raul Castro cannot be given too much credit, however, since concurrent with these liberalizations he has also cracked down on internet content and access. The latest of these actions involved blocking web access to the blog of Yoani Sanchez, a young woman who posts daily commentary on life in Havana and openly criticizes the Castro brothers.

by the Canadian Labour Congress, which proclaims that “Colombia is the country where more trade unionists are killed than in the rest of the world combined.” There is little doubt that human rights offences are indeed numerous and widespread in the country. In fact, paramilitary groups are said to operate in over two-thirds of Colombia’s regional departments, and guerrilla factions continue to control large swaths of territory.

Even with this in mind, the Canadian government remains steadfast in its belief that increased trade links may aid Colombia in reforming its human rights record and could serve as a platform for further discussion on the subject — a more carrot than stick approach to en-

couraging development.

Mr. Emerson recently commented that “trade liberalization and the promotion and protection of human rights can complement each other. That’s why an FTA with Colombia would also include strong provisions on labour and the environment.”

As the Canada-Colombia FTA negotiations draw closer to a resolution, the likelihood of this agreement coming into full effect in the near future remains uncertain, given the controversy that surrounds Colombia’s human rights record and the subsequent outcry that may result upon its implementation.

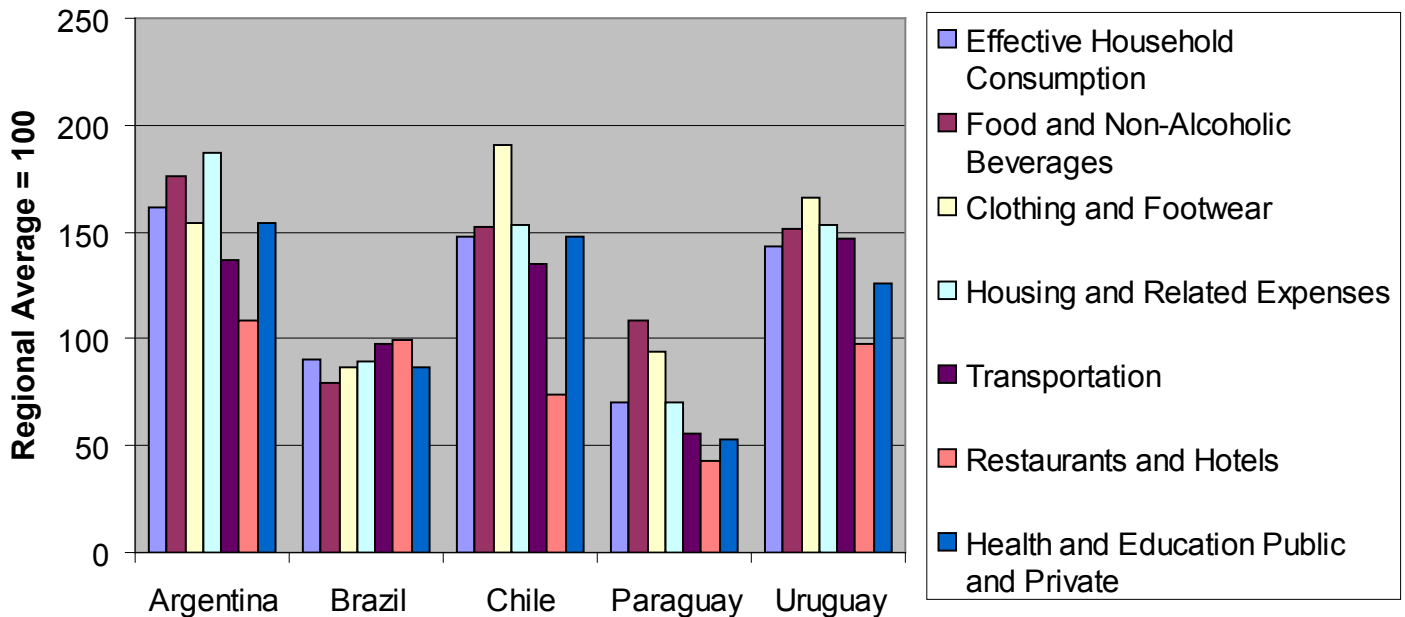
Yet the finalizing of Canada’s FTA with Peru, slotted to enter into full force by January 2009, bodes well for the completion of future trade agree-

ments between Canada and other Latin American nations, especially since Canada’s trade and investment in the region is increasing.

More importantly, it is necessary to recognize that the relative acceptance and success of any FTA is contingent upon the political ebbs and flows of the countries they involve. With an election on the horizon in Canada, the future of the Canada-Colombia FTA could very well be determined by the next trip Canadians make to the polls. 🌐

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## Household Spending on Selected Items (2005)



Source: World Bank ([siteresources.worldbank.org](http://siteresources.worldbank.org))

## Gauging Free Trade Agreements: Why Big Expectations Mean Bigger Enemies

Vladimir Torres

The factors that increase the complexity in identifying the links between trade liberalization and prosperity owe as much to the successes thus far as they do to the perceived failures. The world has come a long way in liberalizing trade, and many — if still far from most — barriers have been removed. As Laura Dawson clearly argues in this edition's opening article, the era of easy trade negotiations is over. Alongside the more nuanced and technical difficulties of reaching new agreements, their direct impact in creating prosperity and spurring development becomes less obvious. Past successes, paradoxically, make future ones more difficult to argue.

As for the perceived failures of trade liberalization initiatives hindering further advances, there are two broad explanations: 1) unrealistic expectations, and 2) the muddling of the issue in domestic political debates. A trade agreement can represent many opportunities — beyond trade itself — to improve other aspects of the economy, the governance, and the social conditions of a given country. But these consequences are by no means automatic. Trade agreements were in

many cases spun as a panacea for all maladies. False expectations then led to disappointment, and from there it was only one more step to skepticism and open opposition.

**A trade agreement can represent many opportunities to improve other aspects of the economy, the governance, and the social conditions of a given country. But these consequences are by no means automatic.**

Trade liberalization in Latin American countries was seen as an easily identifiable face of the macro-economic structural adjustments known as the Washington Consensus, and so the harshness

of the latter was pinned on the former. The political resistance to the adjustments — a discussion equally loaded with misconceptions and misplaced expectations — engulfed the trade agenda. To this day promoting trade remains an uphill political battle in the region, but one that has helped strike a more balanced response. First, there is a greater understanding of trade liberalization for what it is, as well as a clarification of its links with the need to insert local economies in the global stage. Second, and arguably more important, there has been an increased understanding and designing of complementary policies *sine-qua-non* to enable a wider positive impact.

Governments are no longer seen as relinquishing a role by liberalizing trade, but rather as the necessary co-facilitators of the opportunities it creates. They are becoming the main players in the reforms and social redistributive policies that should be implemented — even in the absence of trade agreements. It is in the current good economic times for the region that the opportunities to better prepare for the downturn in the world economy (that will undoubtedly follow) cannot be missed.

A new consensus is beginning to prevail where there is a role for the state: the road to prosperity entails both free markets and social justice. It is no longer a case of choosing one to the detriment of the other, or expecting the former to magically lead to the latter.

But just as the case for trade liberalization regains ground in Latin America, it is in the north of the hemisphere where the ghost of protectionism is once again showing its ugly face. Case in point: the presidential race in the United States, and the Congressional reticence to approve the FTA with Colombia. Both nominees in the Democratic Party have expressed their sympathy to the idea of revisiting the North American Free Trade Agreement,

stopping short of making a full commitment to doing so. If NAFTA can be reneged, the message for the rest of the world — and Latin America in particular — is an ominous one. Both nominees, but particularly Barack Obama, have spoken against ratifying the FTA with Colombia, joining the chorus of critics whose opposition has little or nothing to do with trade itself.

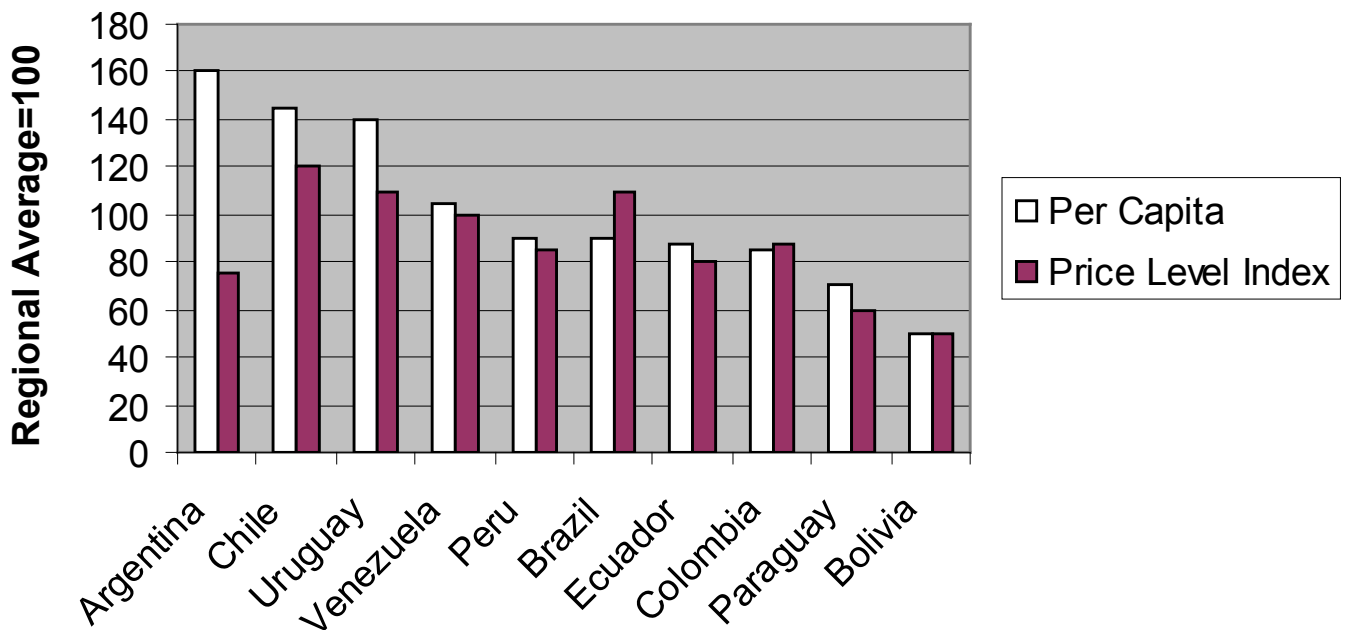
Just as they were in Latin America, FTAs are an easy target for political opportunistic stances. The need to cater to the labour unions' support in some key states leads the nominees to champion jobs that — thanks to globalization — are bound to migrate someplace else anyway, with or without FTAs with countries that desperately need the increased

access to the U.S. market.

We are seeing once again how FTAs are portrayed as having a bigger impact than they can have in and of themselves. The antagonists of free trade are appealing to reasons outside the realm of trade. Opposition to trade liberalization is thus fought resorting to human rights, labour, and environmental arguments. Even in the rare instances when their concerns are fact based, and not mere “sound-biting,” these cannot be pinned on FTAs. Trade agreements are neither their cause nor an obstacle to solving them. 🌐

*Vladimir Torres is a senior analyst at FOCAL and manages the Trade and Development Project. He can be reached at [vtorres@focal.ca](mailto:vtorres@focal.ca).*

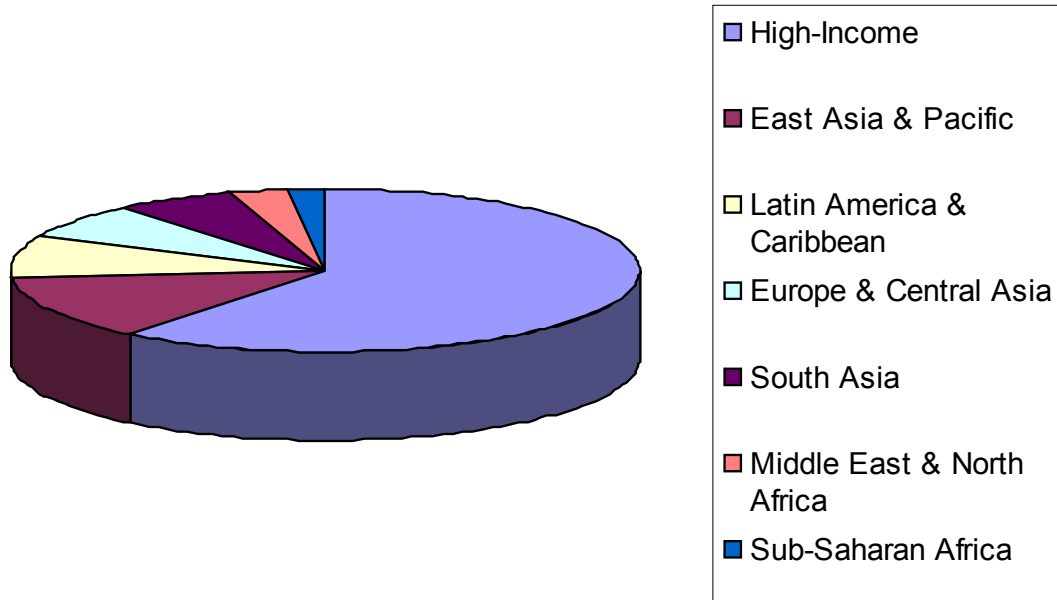
## Comparative Household Expenditures, 2005



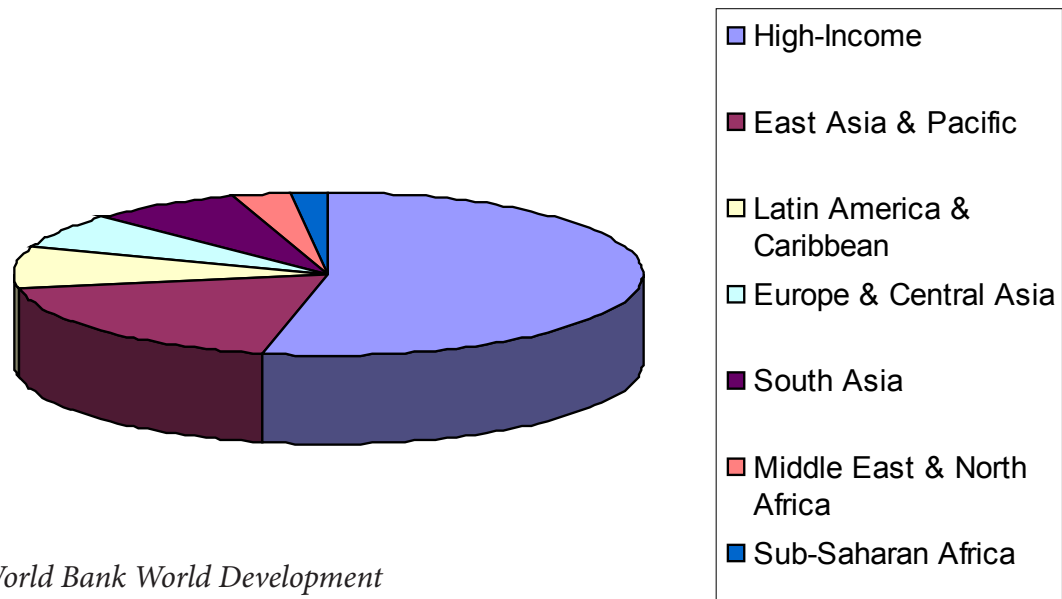
Source: World Bank ([siteresources.worldbank.org](http://siteresources.worldbank.org))

## Shares of Global Output

1995 - Total \$42.3 Trillion



2005 - Total \$61.3 Trillion



Source: World Bank World Development Indicators 2007 – Economy

## Canada and the Summit of the Americas: A Roundtable

April 21, 2008, 1:00pm-4:00pm

Canadem Boardroom, 1 Nicholas Street, 10th Floor  
Ottawa, ON

This discussion will look at Canada's performance with respect to governance commitments assumed by the 34 member governments of the Organization of American States at the past two Summits of the Americas. **Space is limited and advance registration is required.** Please RSVP to Racquel Smith, project manager at [rsmith@focal.ca](mailto:rsmith@focal.ca) and Leslie Fillion-Wilkinson at [lfillion-wilkinson@focal.ca](mailto:lfillion-wilkinson@focal.ca).

## Mining for Success: Social Risks and Responsible Mining Practices

May 14-15, 2008

Panama City, Panama

This conference will focus on the social aspects of mining and will provide new insights, industry testimonies, and innovations with respect to social issues affecting the industry. For more information, visit [www.kokopelliadvisory.com/socialmine/](http://www.kokopelliadvisory.com/socialmine/)

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Articles between 700-1000 words in English, French or Spanish are welcome. All submissions are on a volunteer basis and must be exclusive to FOCALPoint. For full submission guidelines, please contact [rschmidt@focal.ca](mailto:rschmidt@focal.ca) or visit [www.focal.ca](http://www.focal.ca).

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