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Canada and the Americas:
a Time for Modesty

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CANADA AND THE AMERICAS: A TIME FOR MODESTY

JEAN DAUDELIN

RÉSUMÉ

Les Amériques se portent bien. Tous ses dirigeants politiques, sauf Fidel bien sûr, furent élus démocratiquement, les économies sont en croissance, chômage et pauvreté en déclin, taux d'inflation minuscules. Les prochaines années s'annoncent pourtant moins que faciles. Les grands rêves d'intégration et d'exportations manufacturières ont fait place aux petits matins blêmes des conflits commerciaux et de la compétition féroce avec la Chine. Violence politique et répression ont fait place à une violence criminelle qui pénètre de part en part la vie quotidienne et devant laquelle les gouvernements semblent impuissants. Ce monde demeure pour l'essentiel étranger au Canada. À l'exception des Caraïbes il n'y a aucune raison pour le gouvernement de s'engager trop visiblement dans la région, puisque ce qu'il y ferait, en bien ou en mal, n'affecterait que peu ou pas les canadiens. Le jeu appartient aux Latinoaméricains et le Canada devrait, en toute modestie, leur laisser l'initiative.

ABSTRACT

The Americas are doing well. All leaders except Fidel have been cleanly elected, economies grow, unemployment and poverty decline, and inflation stays low. Problems loom, however, and the coming years will be tricky for the region to negotiate. The Americas have woken up from big dreams of economic integration and "export-led development" into grey mornings of trade tensions

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and wave after wave of cheap Chinese exports. Political violence and repression have been displaced by levels of criminal violence that impinge on every aspect of life and that governments seem unable to contain. That tricky world is mostly foreign to Canada. Except in the Caribbean, which begs for an integrated policy, there is no reason for the Canadian government to play a prominent role in the Americas, for the simple reason that what it does there has little bearing on Canadians. The game is for Latin Americans to play and Canada should, modestly, let them take charge of it.

INTRODUCTION

Every twenty years or so, it seems, Canada rediscovers the Americas. In 1968, a few months into his tenure, Pierre Trudeau sent Mitchell Sharp and a large retinue on a round trip through the region. They came back with enough ideas and material to fill one of the six booklets of *Foreign Policy for Canadians*, the foreign affairs statement the Liberal government made public in 1970. This is quite remarkable given that the US did not get a full sub-section of its own in any of those booklets, let alone a full one. The timing, however, was off: after a decade and a half of growth, sometimes spectacular, the countries of the region, for the most part fledgling and poor democracies, were about to stumble into inflation, recession and political crisis. A few years after Canada issued its statement, military regimes ruled much of the continent, insurrections were raging in Central America, and economies were in crisis, leaving Canada empty-handed. In the end, the highlights of Trudeau's Latin America policy were limited to bracing -if staged- public rallies with Fidel Castro and the sale of a Candu nuclear reactor to Argentina's military regime.

As the region staggered through two decades of crisis, Canada backed off. It only plunged in again at the end of the 1980s, with a flurry of initiatives and more visibility on the continent than ever before. Notwithstanding copious ex-post-facto rewriting of history, most of the process was serendipitous, but opportunities were taken up aggressively. Indeed, while

none of these initiatives can be traced to the government's 1989 Latin American Strategy, Canada became the lead promoter of a Free Trade Area of the Americas, a dominant player in the Summit of the Americas process, and a consistent and proactive supporter of the growing role that the Organization of American States came to play in the promotion and defense of democracy in the region. Unfortunately, there is not much to show for all these efforts: the FTAA is dead, the Summit process has become an empty shell from which nothing of significance has emerged, and the OAS is slowly falling back into irrelevance, just as a new wave of authoritarianism - or at the very least a strong ripple of it - is building up

And yet Canada now appears ready to jump in again, with the Governor-General and Prime Minister on their way to the region, and a renewed enthusiasm for hemispheric initiatives, from regional free trade to peace-keeping and state-building in Haiti. On the face of it, the context looks a lot like the one that confronted the newly-elected Trudeau 40 years ago: the region's economies have done very well in recent years, standards of living, even for the poor, have risen, and the democracies of the region have largely resisted the threats of disillusion, corruption, and populism, until now that is. The picture could change quickly and, clearly, the mostly-dessert recipe book designed for the post Cold War interlude needs to be edited or perhaps re-written altogether.

This paper draws a portrait of the Americas today, assesses Canada's presence in the region, and identifies themes and areas where its diplomacy has an edge and where it might still have an impact. It argues essentially that, with heady times and big slogans gone, the age is ripe for quiet work and, mostly, for small ideas.

AFTER THE BIG IDEAS, A TIRED CONTINENT

Not so long ago, Latin America was a continent of military dictators, inflation and crisis, where Cold War politics ruled

and the 1960s dreams of regional integration were in shambles. Then around 1989 in Latin America as in the rest of the planet all seemed to change. Today, we are not back to square one, by far, but the future is hazy, progress is slow, and people are tired.

Three themes have dominated Latin America's policy discussions over the last twenty years or so; democracy, liberalization, and integration. There has been much progress on the first two, but electing governments and opening borders to trade has proven to be no panacea. Democrats are succumbing to disenchantment and adjustment fatigue is general. Most integration schemes are in shambles and those that remain, Mercosur in particular, are rife with tensions. Liberalization, democracy and disciplined economic policy were no magic wands: what they delivered remains well below what was often promised. Worse still, there is a broad and probably justified impression that the goalposts are being moved all the time, that what was deemed sufficient yesterday is the bare minimum today. At the very least, the honeymoon with democracy, liberalism and integration is over.

A different landscape is shaping up, dominated by new economic challenges, Chinese competition chief among them, by the growing political appeal of Hugo Chavez' authoritarian model in the region, and by the deepening crisis of drug-related public insecurity. This is the landscape that Canada will encounter for at least the next decade. Let's explore it in some detail.

Economics: Turning around, and tiring of it

Following the "lost decade" of the 1980s, the continent changed drastically as democratic governments implemented "responsible" policies. Fiscal discipline, low inflation and trade liberalization replaced the interventionist and protectionist outlooks that had prevailed in the region since the Second World War. Slowly and often at dreadful social cost, inflation and budget deficits were brought down while tariff barriers were drastically lowered. After years of waiting, growth per capita is now biting into mass

poverty. A decline in infant mortality has taken life expectancy beyond 70 while literacy, sanitary conditions, and general living conditions are slowly converging towards "first world" standards.

By any measure, the economic performance of the region is very good. Growth averaged 5.9% in 2004, 4.5% in 2005 and 5% in 2006. At 5% in 2006, average inflation reached its lowest point in ten years, as did unemployment, at 8.7%. Public sector deficits, which used to be horrific, now stand at 0.3% of GDP on average, with most large economies of the continent registering surpluses or very slight deficits. International reserves, at \$US295bn, are at their highest point ever, while debt, both in absolute terms and as a proportion of exports, is at a ten-year low point. Moreover, as shown in a recent report by the Economic Commission for Latin America and the Caribbean, such good performance is trickling down. Infant mortality in the region has declined by 40% since 1990-95, and, as a proportion of total population, poverty has dropped by 20% and extreme poverty by 35%.

More Latin Americans are living better than ever before, but progress has been slow and many have been left aside. While poverty rates have declined significantly, for instance, the absolute numbers of poor and extremely poor people remain larger today, at 205 and 79 million respectively, than they were in 1980. Governments know and populations understand that the liberal "adjustment" is not over, that more effort and ever more "flexibility" are called for, and that the sacrifices that have been made until now are still not enough. Uncertainty remains significant and a sense of vulnerability prevails.

Much of that discomfort has to do with China and more broadly with Asia's cheap-labour manufacturing exports. The Chinese miracle has ambiguous implications for the Americas. On the plus side, the region's current bout of prosperity can be traced largely to the explosion of Chinese demand for raw materials. On the minus side, however, the region is thrown back to a stage it has spent decades trying to escape as it struggled to free itself from dependence on primary products. A huge

difference with the old days is that the terms of trade are getting better instead of declining: increasingly, precious raw materials can buy ever more computer chips and consumer goods. Much, however, remains the same: prices are volatile, which complicates economic policy, and the technological content of exports is low with very little direct ripple effect on the economy. Perhaps gravest of all, those raw materials quickly come back from China as finished goods that threaten to wreak havoc on what manufacturing capacity has been built by half a century of import-substitution industrialization. In the years ahead the Chinese wave could gut much of a textile industry that has been the manufacturing bread and butter of most small and mid-size countries of the region. It could even reach the auto sector, which is the core industry of its three largest economies, Brazil, Mexico, and Argentina.

Under the relatively prosperous surface, in other words, profound and disruptive adjustments are under way, which most governments are not tackling and arguably do not look equipped to tackle. No wonder people are nervous.

Tired democracies?

Beginning in the 1980s, the authoritarian regimes that had ruled the region since the end of the 1960s have given way to democratic governments. For the first time, open elections and a universal franchise have become the norm everywhere but in Castro's Cuba. In 2006 alone, there were polls in twelve countries, none of which was deemed irregular by international observers.

Below that shiny varnish, however, the picture is quite varied and, in some cases, increasingly disquieting. Democracy is clearly on a sound base in much of the British Caribbean and in Costa Rica, Uruguay, Chile and Brazil. In all those countries, authoritarianism truly appears to have been buried for good. Elsewhere, citizens' commitment to democracy has proven to be remarkably resilient in the face of huge economic, political and social disruptions. Argentina kept to constitutional rule through

a terrible economic and political crisis that, in January 2002, saw five presidents succeed one another in barely two weeks. In Colombia, clean elections and remarkably good governance have survived decades of a murderous and still lingering civil conflict.

Venezuela stands at the other extreme, with a regime that systematically destroys or hollows-out the institutions of democratic governance, replacing them with the classic trappings of a mass-based dictatorship - a castrated judiciary, remote-controlled "popular" organizations, a large military, massive militias, grassroots surveillance networks, censored or government-controlled media, extremely centralized personal power and, soon enough apparently, a single party. At this point, given the massive oil rents on which Venezuela's president Hugo Chavez can rely, very little stands in the way of the twenty-first century's first South American dictatorship.

Between these extremes, one finds mostly poor and weak states, often dependent on aid or oil and gas revenue, or subject to corruption, smuggling and drug trafficking. The list is, unfortunately, quite long, from Haiti, Guatemala, Honduras, Nicaragua and El Salvador in the Caribbean and Central America, to Bolivia and Ecuador in the Andes, and Paraguay in the Southern Cone. Peru, and perhaps also Jamaica, stand out as vulnerable countries that struggle quite successfully to move out of this twilight zone.

Even where democracy is consolidated, however, malaise subsists. Democracy, like economic liberalization, has not delivered the prosperity and security that was sought, and often promised, by its promoters. Street politics and mass rallies, socialist rhetoric and nationalizations are again on the rise. A new left is emerging from the decades of grey centrist and right-wing politics, and showing its electoral muscle with victories in Bolivia, Ecuador and Nicaragua.

Nowhere is this malaise clearer than in Mexico where liberalizers promised the most and where democracy is still asked to prove its worth. The wave of popular disenchantment took

Antonio Manuel Lopez Obrador, very much an old style populist leader, to the cusp of electoral victory in July 2006. The fact that he had promised to challenge NAFTA and that his supporters only accepted defeat after weeks of street demonstrations testify to a profound resentment towards both a liberalization that has cost so much and delivered so little, and towards democratic arrangements that seem to constrain much more than they empower.

Insecurities

Everyday life almost throughout the region is made difficult by urban violence and crime. Both have long been bad in some places but the problem has now become a major plague in most large urban areas, from Rio de Janeiro, São Paulo, Caracas and Medellín, in the Southern Cone, to San Salvador, Guatemala City and San Pedro Sula in Central America, to Mexico City and Guadalajara in the North, and to Port-au-Prince and Kingston in the Caribbean. Almost everywhere, crime is up, governments seemingly powerless and citizens largely defenseless.

Many trace the problem back to poverty and inequality. Both have long been prevalent in Latin America, but violence is only now reaching peaks. Brazil is a case in point. While significant progress has been made on the poverty front, and some, albeit less, on inequality, the crime situation is worse now than ever before: homicide rates went up by 40% between 1993 and 2002, to reach 28 per 100,000 for the country as a whole, and 118.9 among 15 to 24 year olds in Rio de Janeiro. A zenith of sorts was reached in May 2006, when São Paulo's main drug gang launched a series of attacks against the police that, by the end of the month, had resulted in more than 500 deaths on both sides. There, as elsewhere in the region, violence feeds on youth unemployment, marginality and social exclusion, but most of it is drug-related. It is drug money that enables gangs to get arsenals that favourably compare with those of the police, that makes drug running an appealing option for

less-educated and under-employed young men, and that buys impunity from police and judges. Legalization, which would transform a public security issue into a public health one, is currently out of the question -- in part but not wholly because the United States will have none of it. Governments are left with bloody muddling through in the streets and with the kind of pious hopes epitomized by a recent OAS resolution, which enjoined one of its committees to explore the ways in which "fighting extreme poverty, inequality and social exclusion (would) strengthen hemispheric security."

While much less deadly than drug-related violence, classic inter-state tensions remain a significant source of insecurity in Latin America. In a continent where international wars have been rare, military competition is surprisingly lively. Part of it flows from unresolved territorial disputes, which are common from Central America to the Southern Cone. Most tensions, however, center on sub-regional arms races and turn around two poles: Chile and Venezuela.

Chile's boundaries have long been contested by all its neighbours. It is only recently that the file was mostly closed on its border with Argentina, which at 5300 km, is longer than the land portion of the Canada-US frontier. Remaining disagreements about the Southern Patagonian ice field are marginal. The same cannot be said about tensions with Bolivia and Peru, both claiming large sections of the Atacama Desert, which Chile conquered in the War of the Pacific in 1879-83. These tensions are very real. Bolivia for instance, which back then lost its access to the sea, still has a navy and, from time to time, Bolivian admirals still become commander in chief of the armed forces. Popular opposition to exporting its precious gas through Chile, the most logical and economical route, remains overwhelming.

The problems of Chile are made much worse by its military spending, not only the largest of the region per capita, but also quite sophisticated, with F-16 fighter aircraft, submarines,

frigates, as well as tanks including 100 brand-new Dutch-made Leopard 2 battle tanks to be delivered soon. Dirt poor Bolivia has obviously been unable to follow up, although this might change with the upcoming surge in its gas revenues. Peru, however, has reacted by acquiring MiG 29s from Belarus. This in turn led Ecuador, which fought a bloody war with Peru in 1995, to seek -unsuccessfully- F-16s from the US, which only means that it might now also turn to Eastern Europe. This convoluted arms race is made even trickier to contain by the fact that the Chilean military is still guaranteed 10% of the export revenue of the country's state-owned copper producer, CODELCO, a provision that even socialist presidents Ricardo Lagos and Michelle Bachelet (until now) have not dared to challenge. With copper prices going through the roof in recent years, even Argentina might start worrying again.

The primary products boom also lies at the heart of the other pole of inter-state tension in South America, Venezuela. President Hugo Chavez has been channeling a fast-growing portion of his substantial oil revenues into the largest weapons acquisition program in the region. Defense spending grew by 33% in 2006 and orders are piling up, mostly for Chinese and Russian equipment. These include Sukhoi SU-30 fighter aircraft - which have no equivalent elsewhere in South America - combat helicopters, submarines, surveillance vessels, and air-defense radar and missile systems. Perhaps most worrying for neighbouring countries is the acquisition of 100,000 Kalashnikov assault rifles and a licensing agreement to produce locally this most classic accessory of guerrillas and terrorists.

While most of Venezuela's neighbours are worried by these developments, three countries are more directly involved.

The first is the US, whose open opposition to Chavez is the primary justification for Venezuela's armament surge. The Bush administration's barely-hidden agreement with the 2002 coup attempt against Chavez, Washington's massive military aid to neighbouring Colombia, its successful pressure on Western-

European weapons suppliers to cancel agreed-upon arms sales to Venezuela, and its open displeasure at Venezuela's diplomatic overtures to Iran, North-Korea and Cuba, clearly define a rift that won't be bridged soon, not even by a Democratic President. Indeed, military aid to Colombia - a Clinton initiative - still enjoys bi-partisan support, in spite of current disquiet about the relations with the paramilitaries of some of President Uribe's collaborators. Worries about Venezuela' aggressive anti-US diplomacy also cross party lines.

Colombia is most directly affected. The current tensions build on decades of a complicated relationship that saw the two countries become both close trade partners and almost constant mutual whipping boys. However Chavez has taken the tensions to new heights with his open welcome to FARC guerrillas and current armament drive. The December 13, 2004 kidnapping of FARC leader Rodrigo Granda by Colombian commandos, in broad daylight in downtown Caracas, also won't soon be forgotten. The two countries are not at war, but expect sparks and certainly little significant cooperation between them for as long as Hugo Chavez is in power, which could mean a long, long time.

Brazil is the third significant player in that game. On the surface things are mostly fine: Brazil pushed for Venezuela's full accession to Mercosur; trade between the two countries is booming; energy infrastructure plans are announced all the time; the two Presidents hug and laugh every time they meet and Chavez has many sympathizers in Lula's Workers Party. It is clear, however, that such *bonne entente* is superficial. Chavez' hopes of becoming a major player in South America, a project previous Venezuelan leaders never entertained, clearly clash with Brazil's much older claim to prominence in the region, a claim that commands quasi-universal support among Brazilians from left to right. The underlying tension surfaces regularly on the occasion of barbs against Brazil by Chavez or his allies, particularly Bolivia's Evo Morales. The examples are many,

but those that probably hurt the most have certainly been Venezuela's constant criticism of Brazil's involvement in Haiti, Chavez' support for the nationalization of state-controlled Petrobras gas assets in Bolivia, his calls to reform Brazil-led Mercosur, his dismissive attitude towards Brazil's attempts to build a South-American political bloc and, most recently, his critique of Lula's aggressive ethanol promotion strategy. One must also factor in Venezuela's current military binge, including the purchase of fighter aircraft that are clearly superior to anything Brazil currently has. In spite of all this, Brazil has kept remarkably quiet. On the ground, however, it is playing hard ball. Brazil stays the course in Haiti and keeps pushing for an ever larger space in big powers clubs such as the G-8, where Lula is now a fixture. Petrobras is not letting Bolivia get away with a sweet deal on its gas, and it is quickly moving with the development of Brazil's own gas reserves, which will further weaken the Bolivian hand. Perhaps most crucially, Brazil is cooperating ever more closely with the US on ethanol, which the Americans see as a way to reduce their still overwhelming dependence on the Middle East, but also on Venezuela. Chavez appears in fact to be precipitating a very robust convergence of interest between Brazil and the US.

Once again, in sum, behind common declarations and joint hemispheric summits, behind border agreements and even joint military exercises, one finds a region that is rife with tensions. Aside from the various Venezuela files, however, the continuing retrenchment of military influence, active presidential diplomacy and Brazil's quiet but massive presence keep the risks of open confrontations pretty low. However we are far from the kind of diplomatic nirvana that Summit declarations and presidential hugs and kisses suggest.

Finally, it should be obvious by now that September 11, terrorism and Al Qaeda are NOT in the picture, except perhaps through their effect on US foreign policy.

Dis-integration

Along with democracy and liberalization, regional integration has been a dominant theme of the last fifteen years. Trade blocs and multilateral cooperation, both old dreams in the region, were born again under new, liberal guises, with an emphasis on openness and democracy. NAFTA, Mercosur, Caricom, the Central American Common Market, the Free Trade Area of the Americas, the Andean Community, the Rio Group, the South American Community of Nations (CASA), and now the South American Union (UNASUR), as well as the many Summits of the Americas all found their way to media headlines, albeit mostly for brief periods. Even the old and much ridiculed Organization of American States (OAS) seemed to rise from the dead to become a real player, certifying elections through the region, managing demobilization processes in Central America, and helping to defuse democratization crises in Guatemala and Peru. The last few years appeared to be a golden age of multilateral cooperation and economic integration. A careful look, however, reveals faded colours, a lot of grey, and quite a bit of black.

At the dark end, some of the most hyped-up projects, like the FTAA, are simply dead. Others are little more than zombies, from the Central American Parliament and its common market, to the recently inaugurated Mercosur Parliament or the moribund Andean Community. One then finds the minimalist institutional outgrowth of Brazil's attempts to build a South American bloc, from the South American Free Trade Area to the South American Community of Nations, neither of which ever took off. Venezuela's various attempts at formalizing the coalitions it buys with subsidized oil are of the same ilk, little more, beyond oil-related agreements, than summit meetings and common declarations.

At the other extreme, one only finds the Caribbean Community (CARICOM) and, for now at least, Mercosur. CARICOM builds on a real community of interests, with shared

challenges on the migration, trade, and security fronts, although no real economic complementarities. It is also a functioning and quite effective negotiating bloc, both on trade issues and at the OAS. In spite of the difficulties they now confront, common institutions such as the University of the West Indies embody a regional identity and a common project that is absent from other sub-regional arrangements.

Mercosur is the other success story. Its construction sealed the end of the long and sometimes quite tense Brazil-Argentina contest. As the military were also expelled from power in Paraguay and Uruguay, Mercosur affirmed and perhaps even helped consolidate the four Southern cone democracies. Regional trade has expanded remarkably since the establishment of a common external tariff in 1994. Joint negotiations in trade also significantly increase the leverage of its member countries, especially Brazil, which has been speaking as the leader of a true regional bloc. Mercosur is often presented as the core of a future integrated South American market. With Venezuela joining in as a full member in July 2006, with Bolivia and Chile already associate members for several years, and with negotiations under way with the Andean community, the Guyanas and Surinam, it very much looks the part. Appearances are however misleading. Sixteen years after the signature of its founding document and more than twelve after its formal launch, Mercosur remains poorly institutionalized and devoid of any effective supra-national power. Trade disputes and disagreements are constant and neither the organization's secretariat nor its dispute resolution mechanism have any impact on them. Recently, even Presidential diplomacy has proven unable to resolve a conflict between Argentina and Uruguay about the location of a mega paper mill.

With often competing or even conflicting trade policy objectives, Mercosur's negotiation bloc has morphed from a source of power into one of aggravation. In the absence of economic policy coordination unilateral decisions, such as Brazil's devaluation in 1999, have hurt other bloc members and generated

much resentment. The addition of new members in such a context is unlikely to make things easier, especially when they are named Hugo Chavez and, soon perhaps Evo Morales, both of whom with their very own agendas. Marcos Janks, one of Brazil's top trade experts, perhaps put it best when he compared Mercosur to "a suitcase without a handle." Fed up, Uruguay is now openly seeking a free trade agreement with the United States. Mercosur could survive its current predicament, but it might well disappear or become utterly hollowed out. Clearly, it will never anchor a "NAFTA of the South," or a Western Hemisphere European Union.

Compared to the rest of the continent's integration agenda, however, Mercosur remains a success. New projects abound, mostly around energy integration, transportation and telecommunication infrastructure. There is talk of a pipeline from Venezuela to Argentina, of a gas-centred "energy ring" linking most countries of the region, with Bolivia as its hub, and of a "Bank of the South" that would displace the IMF and the World Bank. In practice, however, Chavez' unpredictable behaviour and Bolivia's instability, in addition to the inter-state tensions we have already outlined, discourage investment in the venture. Brazil, already self-sufficient in oil, intends to become a major ethanol supplier to the US and world market, and is now working towards self-sufficiency in gas, seeking supply from neighbours strictly as a complement. Peru also looks to the US for its own gas exports, just as Colombia does for its oil. Chile, badly burned when Argentina reneged on its contractual commitment to provide it with gas, is looking outside the region for its future supply. Energy, much touted as the newfound glue of South America, epitomizes in fact its growing dis-integration.

Integration at the hemispheric level does not look like a credible alternative. As mentioned before, the FTAA is dead, mostly from a mixture of diffidence and lack of interest in Washington, and clear opposition in Brazil. At this point, it is very difficult to imagine an arrangement that would appeal to

the United States, to Brazil and to the emerging Chavista bloc of Venezuela, Bolivia, Ecuador and Nicaragua.

Hemispheric governance of political and security issues is no less problematic. The old aversion to intrusions in domestic affairs remains extremely strong and the OAS remarkably weak. The largest Latin American countries have never wanted the Washington-based and largely Washington-financed Organization to become much more than a forum for discussion. From that standpoint, the much ballyhooed OAS activism of the 1990s looks increasingly like the accidental result of a convergence of interests between the Clinton White House and a broad range of centrist democratic governments. That convergence has clearly broken down since George Bush took power in Washington, and as various shades of Left have progressively taken over much of the Southern Cone. Given the scope of the problems we have reviewed so far, the OAS is clearly not equipped to contribute much to their solution.

The picture is not all bleak. Difficult problems, both domestic and international, continue to be tackled through dialogue and diplomacy, and without any hint of violence. But, in contrast to the 1990s, there is no neat way out for policymakers, no simple path to follow or "consensus" to draw on. Only muddling through beckons, and everybody knows that democracy, liberalization and regional or hemispheric integration are but means, limited and imperfect. In spite of all the good news on the economic front this is a tricky moment for the continent. Let's now see where Canada fits in.

CANADA'S FOOTPRINT IN THE AMERICAS

The liberal turn taken by the Americas at the end of the 1980s made the region remarkably congenial to Canada's international outlook. Canada was going through its own period of trade liberalization and structural adjustment. In parallel, the defense and promotion of democracy developed during that period into a major pillar of Canada's foreign policy, joining a much older

commitment to multilateral cooperation and the consolidation of international institutions. In spite of its novelty, there was something natural to Canada's keen interest in the economic and political reforms of Latin American countries, in hemispheric trade liberalization, in the blooming of regional summitry and in the transformation of the OAS into a principled defender of the region's commitment to democracy and human rights. The whole project found significant support in the bureaucracy and among politicians. As a result, the period's Latin American diplomacy has the overtone of a golden age, which held for some the promise of a new post-European home for Canada, one that would not be shared only with those overbearing Americans.

Canada jumped into the hemispheric fray with remarkable enthusiasm, joining the OAS in 1990 and quickly becoming a significant player in the region, perhaps most visibly by pushing hard for the establishment of a "Free Trade Area of the Americas" and by getting involved aggressively in the defense and promotion of democracy in the region. For quite a while things looked just fine and Canada became a highly visible player on the hemispheric stage. Through the 1990s, it hosted just about every event on the Americas' diplomatic agenda, from the Summit of First Ladies to the Pan-American Games and the OAS General Assembly. The Quebec Summit of the Americas, in April 2001, was truly a summit for hemispheric multilateralism and for Canada's Latin American policy.

It has been downhill ever since. First, as noted above, enthusiasm for democracy, liberalization and integration has waned in Latin America, leaving Canada and its agenda somewhat on the sidelines. The collapse of the FTAA has hollowed out a summit process that was very much an outgrowth of the trade agenda. It should come as no surprise that Canada, one of the main advocates of the FTAA project, if not its sole architect, somehow lost interest in the hemisphere when the trade file was closed. The Mar del Plata Summit, in November 2005 in Argentina, was indeed a non-event in Canada. Little was

expected from it, save in the tiniest diplomatic and NGO circles, and just as little came out. As Afghanistan and Iraq brought bilateral relations with the United States to the centre of Canada's foreign policy, Latin America drifted back to the fringe.

Beyond the accidents of world politics, the volatility of Canada's policy in the Americas has a very concrete basis: Canadian interests on the ground, unless they are defined in the most abstract way, remain extremely thin. DFAIT's propaganda notwithstanding, this is true for investments, trade, and security.

Appearances are admittedly misleading. Let's start with investments. According to Statscan, the total value of Canadian investments in Latin America and the Caribbean reached \$C83 billion in 2005, a massive amount for a country whose GDP that year was about 1 trillion dollars, and an impressive 10 times higher than in 1990. But these numbers are misleading for two reasons. First, much of that stock of investment (C\$60bn in 2005) is parked in four Caribbean fiscal paradises - the Bahamas, Barbados, Bermuda and the Cayman Islands- and could be transferred quickly outside of the Americas were those countries' accommodating fiscal regimes modified. The second reason is that since 1990 Canadian investment abroad has grown by leaps and bounds, leaving Latin America, without those four countries, with a smaller share of Canada's total investment stock than in the mid-1990s. The numbers, in 2005, are by no means negligible, but they remain small: \$C8bn in Brazil, \$C5.6bn in Chile, \$C4.6bn in Argentina, and only \$C3.1bn in Mexico. By comparison Canadian assets in the UK are worth \$C42bn, in Europe as a whole \$C119bn, and in the US \$C214bn. It is true that in 2004, according to a recent ECLAC study (2006a), Canadian companies were the third largest investors in Chile, and the fifth in Mexico (after the US, Spain, the Netherlands and the UK). But in none of the other large Latin American economies did they have a significant presence. Finally, there were no Canadian companies among the 50 largest transnational corporations, by total sales, in the region.

The trade picture is somewhat similar- shiny on the surface, less so below. Total trade with the region has grown by 500% since 1990, to reach almost \$50bn in 2006. Much of the growth is accounted for by imports, which grew sixfold over that period, while exports tripled to reach \$12bn. Breaking down those numbers further and looking at their relative weight in total Canadian trade conveys a radically different impression: beyond Mexico, there has been very little progress over the last fifteen years or so. Canadian exports to Mexico have gone from \$650m in 1990 to \$4bn in 2006, but this represents barely 1% of our country's total exports. Among the next five largest Latin American export destinations, none currently exceeds \$1.5bn. In the case of Brazil and Venezuela, respectively Canada's second and third largest export markets in the region, absolute levels are in fact lower today than they were ten years ago. On the import side, Mexico, with \$16bn worth of sales, has become a major partner of Canada. Brazil, in second place, exports \$3.4bn worth of merchandise and other products to this country. Without Mexico, however, imports from the region represent barely 5% of Canada's total.

These investment and trade numbers are not altogether negligible. For some Canadian companies and for many countries in Latin America or the Caribbean they may be critically important. From the standpoint of Canada's policy in the region, however, they are not. The absence of significant Canadian economic interests, except in the peculiar case of the Caribbean fiscal paradises, means that the region cannot command much attention from economic policy makers and that it is unlikely to figure prominently in any strategic plan that the government may devise. This also implies that narrow domestic corporate or regional interests will have a disproportionate weight in the ultimate fate of policy initiatives. Free trade negotiations with the tiny Caribbean countries are a case in point: no real progress is possible because letting in textiles from their factories would threaten a few thousand jobs in Quebec.

Aside from Haiti and the British Caribbean, which are truly special cases and to which I come back later, Canada's footprint in the security field is even lighter. Nowhere in the overview I have made of the current security predicaments of the Americas is Canada a real player. The problem has nothing to do with capacity, or even with a willingness to get involved, both of which have been and continue to be significant. It lies instead in the simple fact that very little is at stake for Canadians in the drug wars of urban Latin America, or in the various arms races and never-ending bickering that takes place around many Southern Cone borders. Canada is, quite literally, foreign to the problems of the region. It has very little to win or lose there.

This simple truth has been denied for the last fifteen years. Canada tried to play the part of an insider, an important one at that. Always dedicated and often competent, Canadian politicians, diplomats, activists and academics have invented for themselves an hemispheric identity and tried to turn the region into a practice field for their big ideas. Democracy was to be promoted, free trade implemented, and old understandings of security ditched in favour of a brand new human security paradigm. The OAS' old geo-political straightjacket was to be torn apart and the Organization turned into an effective instrument of ethical collective action. The whole hemisphere was to be transformed into a kind of big beautiful Canada: democratic, liberal, multi-cultural, peaceful, efficient and profoundly moral.

Things did not quite work out that way. Perhaps the time has come for a policy that is less ambitious and more respectful of the complexities that prevail in the region. Canada can play a constructive role in the Americas, but there is simply no basis, in values or in interest, for it to play a central role. The game is tough and often confused down there, and other people's fate, not ours, is at stake.

A TIME FOR MODESTY

Canada's light footprint has one big advantage and a number

of drawbacks. Having little at stake enables one to pick and choose one's priorities, to change one's mind. It affords one the luxury of a purely principled or perfectly logical approach to a problem. This is a two-edged sword, however, as one risks losing sight of all that does not fall into neat and clear categories. Having a light footprint also implies that the region will not command significant political or financial resources from the government, that a Latin American policy could freely waver from one set of priorities to another with hardly anybody noticing, and that it could easily be hijacked by narrow interests and very local agendas. Another danger lies in overreaching. This is the trap in which the latest bout of enthusiasm fell. Rigidities abound in the hemisphere - strategic, social, cultural, institutional, ethnic and ideological. They severely constrain the scope of the possible. Expectations must thus be toned down and objectives and hopes kept very modest.

Within those parameters, let's now examine briefly five key hemispheric files - hemispheric affairs, Mexico, Brazil, the Caribbean and what I call the natural partners.

Hemispheric affairs

With free trade out of the picture for a while at least, drug trafficking, the management of Chavez' Venezuela, and energy should dominate Inter-American affairs in the coming years. On none of those issues is Canada likely or able to have a major impact. The war on drugs remains a US obsession, and it will probably continue to be fought with lots of US dollars and in the US way, i.e. essentially through repression and the destruction of production and trade capabilities. Prospects of success remain as bad as ever, because criminalization is simply not enough to stem demand. That failure is ravaging urban Latin America and creating public order challenges that overwhelm the region's police forces and their judicial systems. Unfortunately, the end of this second Prohibition is not in sight, but there might be

space for flexibility, beginning with de-criminalization or at least for research and policy discussion about it, and even about legalization. This is an issue where Canadian initiatives about a matter of importance to Canadians themselves could have interesting hemispheric ramifications.

Although much of the region is likely to be affected and interested, the containment of Venezuela is a Brazil-US affair. Canada has nothing at stake there and, on this issue, very little weight to bring to bear on Brazil, the US, or Venezuela itself. For that reason, beyond clear stands on democratic principles and human rights, it is a bit difficult to imagine Canada playing any significant role in that process.

Paradoxically, the hemispheric energy file also bypasses Canada. Its first component involves the consolidation of a hub-and-spoke energy structure, with the US at the hub, and Canada, Mexico, Colombia, Peru, Trinidad and Venezuela as its spokes. The only alternative to that structure, a kind of producers' cartel, is perhaps sought by Venezuela but remains unlikely to succeed. Given Canada's NAFTA commitments to the US and the profound inter-dependence of the two economies, its participation in such a plan is preposterous. The second component, ethanol, is another Brazil-US file, as evidenced by the reciprocal presidential visits that focus on it. Were ethanol commodified, as Brazil hopes, there would be openings for Canada's agricultural sector, but like sugar cane producing countries, especially in the Caribbean, it would play only a bit part in the plan as a whole.

On none of those core issues is the OAS likely to play a prominent role. The closing of Venezuela's political system could in fact sink for good the Organization's claim to be a bulwark of democracy. Still, to have a forum and sounding board, as well as a ready space for inter-American dialogue is both useful and important for the hemisphere, especially in these confused and likely tense times. Let us just make sure that overly ambitious dreams do not debase those precious functions that the OAS fulfills quite well.

Mexico: beyond and above NAFTA

Canada's bilateral relations with Mexico should be largely freed from the management of NAFTA and especially from future designs for North America. The US border files are critical for both countries but radically different for each, and nothing can be gained by trying - or hoping - to manage them together. Mexico should simply not be part of Canada's North American strategy. Instead, building on the already remarkable cooperation established between the two countries, in a large measure thanks to NAFTA, the bilateral agenda should be made fully autonomous from the latter. Discussions of the next steps in the integration process should similarly be undertaken separately. A degree of clarity, regarding the fact that there are two bilateral North American relationships with very distinct dynamics and challenges, would also help in the management of Canada-US relations. Trilateral relations are not bad right now, but the *ménage-à-trois* should be confined to current commitments.

Brazil: Role inversion?

Relations with Brazil are better today than they have been for almost twenty years. The Harper government's recent announcement of support for aerospace in Quebec will probably rekindle the coals of the Bombardier-Embraer trade wars, but it will not engulf the two countries in the kind of silly confrontations that have dominated the relationship in recent years. The reasons are manifold. Key points of contention have disappeared: the FTAA, which Canada wanted and Brazil abhorred, is out; Canada's human security doctrine and its implications for the primacy of sovereignty has also essentially vanished; Canada has moderated its claim to legitimately play a central role in inter-American affairs, while the effectiveness and the commitment of its diplomats have come to be appreciated. More fundamentally, the nature of the competition between the two countries has changed significantly. In the Americas, as we saw, Brazil's

towering prominence over Canada is clearer than ever and recognized by the US. Globally Canada is progressively becoming used to playing a lesser role in international affairs, while Brazil's somewhat brash assertiveness is slowly being replaced by a quiet assurance, as the big clubs, from the WTO's inner core, the G-8, Davos and soon, apparently, the OECD, open their doors to this new legitimate member.

A similar inversion has taken place in economic relations. Brazil and Canada remain minor trade partners, but on the investment front, recent developments have been significant. Unexpectedly perhaps, they involved flows from Brazil to Canada, not the other way around: with the acquisition of INCO by Brazil's CVRD, Brazilian investments in Canada, at C\$22bn, are almost three times larger than Canadian investments in Brazil. This places Brazil at the fourth rank of foreign investors in Canada, after the US, the UK and France.

Even with this investment boom, however, economic interdependence between the two countries remains trifling and trade irritants significant. Taken together, however, recent changes imply that perhaps for the first time the two countries can truly and equally partner in international endeavours. Cooperation around Haiti, where Brazil leads the UN military force, and where Canada spends substantial development aid, is a case in point. Other such endeavours will probably emerge and can be exploited. Small things, but real cooperation, and little tension.

The Caribbean

Beyond North America, the Caribbean comes closest to being a real "neighbourhood" for Canada. The seasonal migration to Cuba, the Dominican Republic and the British Caribbean comes to mind immediately. But the linkages reach back well before the snowbird era and well beyond tourism. Canadian banks, multi-national corporations, and missionaries have roamed the region through much of the twentieth century and in some cases - in the banking sector for instance - well before. Canadian

corporations and wealthy individuals have piled up huge amounts of savings in the region's welcoming bank vaults. For almost fifty years, sympathy towards Castro's Cuba has provided Canadian nationalists with a cheap way to affirm their distinctiveness from the bad Americans. Caribbean immigrants and diasporas are prominent in Nova Scotia, Montreal and in the Toronto area. Sons and daughters of the Caribbean have finally reached prominent positions in Canadian letters, professions, professions, the media, universities, and in the public service. In that universe, Governor-General Michaëlle Jean stands as a remarkable but by no means unique example.

It is through people and money that Canada has a stake in the region. Tourism, migration, remittances, but also investments and drugs make up a complex web that cries out for strategic management. The predicaments of Latin America come together in the Caribbean and through it make their way to Canada. The region has a hard time adapting to globalization. Its agricultural exports are not very competitive and textiles, which were seen briefly as a way out, simply cannot fend off Asian exports. Trade liberalization eats away at the tariff revenues that have been the mainstay of the islands' governments. Tourism, finally, has its limits and downsides and everybody competes for it. The out-migration of a large portion of it's the Caribbean's educated population further narrows the development options. Unable to deliver much, governments struggle and disenchantment grows. Drug trafficking is rife, and the money involved is such that corruption becomes hard to resist. Violence, which also feeds on drugs, is gaining ground, especially, for now, in urban Haiti and Jamaica, spilling from there into Montreal and Toronto. Thanks to a most ill-conceived policy of expulsion of non-citizen criminals, it then circles back to the islands before moving North all over again.

For Canada, an additional complication is the overwhelming importance of the US for the region. Arguably, all the Caribbean

files are trilateral and their management, as a result, cannot be divorced from US policy and Canada-US relations.

Creative thinking is in order, and perhaps here some big idea should be sought. To begin with, the utterly internationalized character of the region needs to be recognized. Almost all its economies are deeply integrated with North America through migration, trade - legal or not - investments and remittances. As a result, Canada's policy towards the region cannot be strictly "foreign." A "whole-of-government" approach probably makes more sense there than in Afghanistan. Some provincial and municipal governments should also have a hand in it, as well as diasporas.

Two specific files will probably dominate Canada's Caribbean policy. This is unfortunate I must add, because options in both cases are heavily constrained. Haiti is a full-fledged development quagmire where the only option is, quite literally, to muddle through. Perhaps an emphasis on rural areas, as far away as possible from violent and chaotic Port-au-Prince, offers the most hope. Expectations, however, should be kept extremely low. We will still be there a generation from now, with development aid and technical cooperation.

Cuba is in some ways a more hopeful case. The creativity and energy of its educated population could soon be freed from the state shackles that have prevented them from blooming. However let's not hold our breath. The communist party and the army have much to lose from too deep a political shake-out and are thus likely to keep a tight leash on liberalizers. From Canada's standpoint, moreover, the overwhelming presence of the US severely constrains policy options. Most initiatives are in fact likely to focus on the US-Cuba linkage, and there indeed Canada could play the bridge-builder. It is difficult to fathom any bold option, however. Quiet work from the sidelines likely will rule the day.

The natural partners

Disciplined, democratic, liberal and in many ways just as boring, Costa Rica and Chile could be seen as smaller copies of Canada. There is something easy and natural to the cooperation with those countries and there is no reason not to expand it as far as can be done, particularly in fields such as education, research and environmental issues. Interdependence is obviously non-existent but so are tensions, while congeniality and converging outlooks are overwhelming. Let's just brainstorm and do small things together.

CONCLUSION: A RELIABLE BACK-UP GOALIE

This brief overview of Canada's options in the region should have made clear that the time for visibility and bold moves is over, except perhaps in the Caribbean. The region might be in for a rough patch, no easy solutions are available, and Canada's impact will likely be limited. This is a good thing precisely because Canadians lack the legitimacy that flows from having a large stake in the outcome. Canada is a marginal player in the tough game that is emerging on the continent, a kind of back-up goalie. This is an important role however, and few teams make it to the cup without a good one. The best of them are always ready and, provided they keep their expectations low, they can also be quite happy.

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