

Canada and Hemispheric Governance: The New Challenges

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Ten years ago Foreign Affairs Minister Joe Clark announced a Latin American Strategy, designed to end a decade of neglect and begin a new era of Canadian engagement in the Americas. The conceptual shift was from the Americas as geographic 'house' to the continent as a community and as a 'home.' Approved a few months before NAFTA was conceived, the strategy centred on government leadership, particularly in joining and energizing the OAS (Organization of American States), as the principal vehicle for realizing this new frontier in Canadian foreign policy.

A decade later the 'new frontier' is so well established that DFAIT's Strategy Update for Latin America and the Caribbean [1996] is written in triumphalist tones rarely sounded in the sombre Pearson Building. From NAFTA to the FTAA, from the OAS to the 1994 Miami Summit, from trade to human rights, security and sustainable development—it is argued—Foreign Affairs has been leading the inter-American pack in strengthening regionalism. Epitomizing this attitude, the document argues that the Miami Summit Action Plan 'was largely consistent with Canadian objectives not by coincidence, since Canada was instrumental in forming the agenda and managing the outcome' [DFAIT 1996]. A related claim of policy coherence, and a bold assertiveness are also present in many of the key policy papers dealing with Latin America that were produced by the Department in the last two years [Christie 1995; Choudhri and Sharma 1996].

This self-drawn image—of a proactive, well controlled and effective regional policy—requires a critical look even for the first glory years after 1990, but particularly since the 1994 Miami Summit when the moorings of the inter-American system have shifted. Canada's insertion in

the hemisphere remains centred on the United States, hopes for relatively swift progress on regional integration have been dashed, and the emergence of effective hemispheric governance centred on the OAS is proving slower and more difficult than expected.

The paper therefore briefly assesses Canada's hemispheric policy to date, reviews the challenges posed by the construction of regional governance in the Americas, and explores the key challenges that must be met for the hemispheric option to become feasible and advantageous to Canada. We contend that a Latin American option still makes sense for Canada. The continent remains the only regional arena where Canada can be a major player on most significant issues. The region's economies offer plenty of potential as trade partners, and the outlook of its governments and civil society appear eminently compatible with those of Canadians. Opportunities for leadership exist, but very few—if any—of them offer Canada an easy sail or a guaranteed arrival on destination. To play a leading role will require more sensitivity to the peculiarities of multilateralism and integration in the Americas, a recognition of our continuing dependency on the United States, and more sensitivity to domestic fragilities and the vulnerabilities of our Latin American and Caribbean partners. Above all, the option calls for staying power, and a government commitment to sustain the consolidation of a wider constituency and domestic capacity for the region. From these standpoints, it is appropriate that these reflections be found in a book whose theme is leadership and dialogue, for without the latter, Canada can only dream of the former.

Canada and the Americas after Ten Years of Commitment

A An enthusiastic newcomer

At the turn of the decade, Canada literally jumped on the regional bandwagon. Joining the OAS was the first step, but NAFTA was the real detonator, opening quite suddenly a whole new avenue for an aggressive regional foreign policy. At the Miami Summit, that policy was given a clear goal and schedule—with the launching of a hemispheric trade liberalization process (the FTAA project), as well as a much broader agenda with a Plan of Action covering issues ranging from trade to human rights, education and poverty reduction. The OAS, moreover, was to be the coordinating agency for this whole program. Canada became a key supporter of the process, perhaps the keenest among the countries of the region.

Canada made a definitive option for the Americas in 1990, but it was NAFTA that provided the energy for Ottawa's first enthusiasm. What makes that year a turning point is not Canada's adhesion to the OAS, but instead its joining a negotiation table—already set, and with the US and Mexico already seated—where the economic integration of North America, and especially its structure, was at stake. With Canada already linked to the US by the FTA, Canadian policy-makers saw a bilateral free trade agreement between the US and Mexico as the omen of a huge hub-and-spoke trade structure threatening to divert regional investment flows toward the US, which would thereby become the only location guaranteeing free access to all three markets [Wonnacott and Wonnacott 1995]. A tripartite agreement lessened that risk and was favoured by Canada. The negotiations prospered and the result was NAFTA, formally launched on 1 January 1994.

In the meantime, however, Canada's policy toward the Americas had developed a momentum linking trade policy with export promotion. NAFTA, or more precisely NAFTA expansion, became absorbed by the old outlook of Canadian foreign and trade policy makers, and was quickly re-conceptualized, from a defensive manoeuvre to a strategic means to diversify trade and counterbalance Canadian dependence on the US market, as well as to contain the ever-rising phoenix of US unilateralism.

Canada's policy toward the region thus looked not only remarkably coherent, but also perfectly in keeping with the traditional thrust of its global outlook: NAFTA, and NAFTA extension into South America, would reinforce the international liberal economic framework of the World Trade Organization. The OAS for its part would serve as the primary political apparatus for an effective regional multilateralism consistent with Canadian policy in the UN and other international bodies. Dynamic and highly respected César Gaviria, former President of Colombia, was elected Secretary General with Canada's energetic support. His persona gave greater credibility to the OAS reform process under way in earnest since 1990, and reinforced Canada's impression that a new era in the Americas had begun.

Canada's Permanent Representatives at the OAS, with their comparatively small staffs (relative to Mexico or Brazil, for example), have been busy and visible, and have made significant achievements. DFAIT officials in Ottawa and Canadians in the Secretariat have also brought energy and much needed idealism to the embattled organization, even if there was an initial overoptimism about the role of the OAS and its capacity for speedy renewal. Canada can be counted on to pay its bills on time. Moreover, the economic and political changes in the region coinciding with the termination of the Cold War made Latin America

appear, quite suddenly, remarkably appealing to Canada: as the continent approached the December 1994 Summit of the Americas, in Miami, all the economies of the region were liberalizing, and a host of dictatorships had given way to elected governments. Canadian activism in hitherto neglected areas of inter-American relations such as security, human rights and democratic development and indigenous issues multiplied after 1990. Achievements vary according to agenda area: trade, security, human rights and democratic development; social policy; sustainable development; and indigenous affairs [McKenna 1995].

Canada's influence was considerable during its first years of membership, although DFAIT has tended to exaggerate Canadian influence and underestimate the damage caused by evident political appointments and micro-management. Canada's multilateral 'vocation' also often surprised Latin Americans—and not just its interventionism in 'hot' areas such as human rights and democratic development. For example Ottawa used the OAS as a building block for norm-generation at regional level to project issues globally at the UN or other forums: deep-sea fishing; Helms-Burton; confidence and security building measures, the anti-personnel mine initiative; a 'use' of the OAS not at all in keeping with Latin American and Caribbean's typical concept of the institution.

All in all, by the Miami Summit, the Americas looked in truth like a welcoming family for a Canadian polity searching for new roles after the Cold War, while Latin America for its part was, at the same time, looking for chaperons to protect it from a sometimes stifling US embrace, but finding declining interest in old Europe or in busy Asia.

B A Rough Ride

Straying far from the caution advocated in the 1989 Latin American Strategy, Canada's policy from 1990 up until the Miami Summit was driven by enthusiasm and the journey became somewhat intoxicating. Little heed was given to the many signs that the optimism underlying Canada's policy was proving unfounded; a few days after the Summit the inter-American landscape abruptly changed. Mexico's peso crisis soon undermined the promises of security and stability that the NAFTA seal of approval had supposedly ensured. Symbolically—if not economically— NAFTA suffered a more severe blow than Mexico: whereas the latter was back to strong growth and was already welcoming heavy flows of foreign investment by 1996, the lineup to join NAFTA had evaporated as Latin American leaders absorbed the implications of NAFTA disciplines for national economic stability. After the crisis,

the prospect that hemispheric economic integration—if it were to happen—would develop along NAFTA expansion, quickly dimmed and then just disappeared.

Perhaps even more shocking, the other assumptions of the post-1990 policy also appear to be crumbling: Canadian trade did not diversify following the establishment of NAFTA and the 'rules-based' regime of NAFTA did not appear to be enough to contain US unilateralism; the FTAA process had a hard time generating support among key players, especially the United States and Brazil; the OAS proved to be much harder than expected to nudge toward change; and the region as a whole, in spite of the huge progress realized in the last decade, still needed to confront a significant number of fundamental problems before any guarantee of economic and political stability could be given.

A potential disjuncture has opened between Canada's political and economic relations in the Western Hemisphere beyond North America. The Latin American Strategy can be credited with success in political terms: Canada has never been as much part of the hemispheric 'family' as it is today. Diplomatic activity, high-level visits, large business delegations, involvement in the OAS, dialogues on security issues, educational linkages, and so on are well-established compared with the 1980s. Yet all these activities appear to be floating in the air, as an economic basis has yet to develop to 'ground' this flurry of political activism into tangible mutual material interests. In spite of much efforts and rhetoric, Latin America and the Caribbean beyond Mexico and Chile have not yet become significant economic partners [Saéz 1997]. In relative terms compared with 1980s, both exports and investment in Latin America have fallen sharply. In fact, never before has Canada's economy been so closely integrated into a strictly North American productive structure whose axis is the United States. The raw fact is, Canada's export dependence on the US has grown steadily, reaching over 80 per cent of total trade.

By 1995, investments in South and Central America had barely recovered their 1982 level, itself well below what it had been in the 1970s. Investments in the region have been growing, but did not keep pace with Canadian investments in the rest of the world. The trade picture is no different. While both exports and imports to the region grew very steadily between 1990 and 1996, they barely kept pace with the tremendous growth of global Canadian trade, with imports from the Western Hemisphere (minus the US) increasing from 3 to about 4 per cent of Canada's total imports, and exports remaining still at about 2 per cent.

This situation is made worse by the fact that Canada now has a trade deficit with most of the world and a large (if falling) trade surplus with the United States. Prospects, moreover, are not good with the Canadian dollar weakening in relation to the US dollar, while strengthening in relation to the currency of most of its other trading partners, provoking for instance a growing trade deficit with Latin America: between 1990 and 1996, Canada saw its trade surplus with the United States grow from \$20 billion to about \$50 billion, while its trade deficit with Latin America went from \$1.7 billion to 3.7 billion during the same period [IMF 1997].

To the extent that an opening to the region was meant to weaken Canada's trade dependence, either directly, through simple trade diversification, or indirectly, by enabling Canada to use the secure market base of NAFTA as a spring board toward world markets—'strategic regionalism' [Deblock and Brunelle forthcoming] it has proven a major disappointment. Admittedly, the enormous role of the automotive sector in this dynamic somewhat exaggerates the importance of integrated production process at the North American level [Molot 1997:173-178]. Yet, given that this sector is the core of Canada's manufacturing base, its consolidation as the spine of a North American economy including Mexico must certainly be considered a major post-Cold War development. However, Canada's failure in export promotion to Latin America (including Mexico) compares unfavourably with its ability to penetrate the US market, where exports grew from \$95 billion to \$164 billion between 1990 and 1996 [IMF 1997].

The commercial basis for Canada's integration into the whole hemisphere in fact appears to be shrinking. One could perhaps argue that political and cultural relations do not necessarily need such a basis to flourish, but one would have a hard time justifying them given the policy framework outlined in the 1995 government statement on foreign policy [DFAIT 1995]—which gives the promotion of economic prosperity and employment the first place among priorities.

The government has spared no effort to change that situation. At the Miami Summit, Canada openly promoted Chile as the next country to join NAFTA and when the US Congress refused to give the Clinton administration the fast-track authority that would have enabled the deal, Canada moved on and signed a quasi-NAFTA-level bilateral trade agreement with Chile. Similarly, important trade missions to the region were organized in 1995 and 1998, in the face

of significant political, economic and even commercial tensions and uncertainties. The first one took a large delegation to Mexico a few months after the Peso Crisis and in the midst of serious political disturbances following the assassination of the officialist candidate to the Presidency. Similarly, another large mission visited Mexico, Brazil, Argentina and Chile in January 1998, right during a financial crisis in Asia which was threatening their economic stability, and in spite of serious commercial tensions with Brazil (see below). Most significantly, Canada was perhaps the keenest supporter of the FTAA process, contributing more than its share to the OAS Trade Unit and doing its best to keep some momentum in the initiative.

These efforts have met with growing obstacles. As mentioned, investments and trade between Canada and the region are not growing in relative terms, with the latest trade mission to the region producing disappointing results and some disenchantment among the hundreds of business people who joined in (at \$15 000 a seat...). A timetable for negotiation of an FTAA will probably have been adopted during the April 1998 Santiago Summit of the Americas. Yet, even such a momentous development is likely to have little relevance: the Clinton administration, unable in October 1997 to secure fast-track negotiation of such an agreement, is now even less likely to deliver, as it grows weaker by the day and is increasingly centred on domestic issues.

Side initiatives could not possibly compensate for such a central tenet of Canada's hemispheric agenda as the FTAA, but they could sustain a certain momentum. Even these, however, have been plagued with difficulties. Negotiations with Chile became tense when Canada insisted that Chilean controls over capital movements, celebrated through much of the hemisphere as Chile's saviour during the Peso Crisis, be eliminated. Canada's insistence, and Chile's determination, led to a showdown and to President Frei's visit during which the treaty was to be signed. Canada, the foremost advocate of NAFTA expansion and of the FTAA, was forced to back down: Chile kept its capital controls, Frei's visit was re-scheduled, and the treaty was signed. Much damage was done in the region's chanceries, however, to Canada's image of openness, flexibility and understanding toward partners that were—or felt—more vulnerable to the vagaries of international capital flows.

While the agreement with Chile had an essentially symbolic value, the announcement in 1997 that Canada had started discussions about a potential association with MERCOSUR was a truly significant development— although the planned agreement did little more than

institutionalize contacts that have been taking place regularly in recent years, i.e., it does not contemplate Canada's joining MERCOSUR or even establishing an association similar to that between MERCOSUR and Chile. The Chilean economy is about the size of Montreal's, but Brazil's GDP is equivalent to that of Canada, and the total GDP of MERCOSUR, the customs union made up of Brazil, Argentina, Paraguay and Uruguay, is much bigger, representing about two-thirds of South America's economic output, and over 50 per cent of Latin America's. Progress, however, has been slow, in spite of visits by President Cardoso and Prime Minister Chrétien. The difficulties are many: the distance to be bridged, in terms of tariffs, is significantly larger than with Chile, and MERCOSUR is by no means a tight unit, with tensions surfacing periodically between its two key partners, Brazil and Argentina. Perhaps most significant in the short term, progress is made difficult because of a major dispute between Canada's Bombardier and Brazil's Embraer, both linchpins of their respective countries' high-tech industry and, for distinct reasons, deeply embedded in their respective political universes. At the time of this writing, in sum, an association of Canada with MERCOSUR, and involving significant liberalization of trade and investments in the short or medium term, looks unlikely.

If the trade picture does not quite conform to Canada's hopes, the international, political and social outlook which made the hemispheric option so natural after the region's return to democracy seems to hold fast, but barely. Democratically elected governments are still in power in all countries but Cuba and a few more peaceful transfers of power have taken place. Yet there is a sense in the region that the democratization process has stopped in its tracks, and that it threatens to regress as political institutions remain feeble and vulnerable [Domínguez 1997] while corruption, social problems and violence are increasing. Trade liberalization has not produced the kind of growth expected (except in Chile) [Edwards 1977], and the benefits of what growth there was have been highly concentrated [Berry 1997]. Political institutions have not been strengthened, as corruption scandals have rocked countries from Argentina to Mexico. Economies that are central to the stability of the region, Brazil and Argentina in particular, remain vulnerable to external shocks. Military tensions have exploded into an all-out war between Ecuador and Peru [Klepak 1998] and, partly as a result, there are now signs of a budding arms race between Chile, Peru and Argentina. Finally, major multi-dimensional crises are in the offing: in Cuba, Haiti, and most ominously, Colombia.

The hemisphere has changed since Canada made its bid for closer integration. As will be made clear later in this essay, we feel that these changes should not lead to a re-assessment of that option. What is needed instead is a colder look at the region, and a

clearer view of Canada's place and role in it. Before discussing this, however, an assessment of the state of regional governance is required, for Canada's long-term integration in the region depends, beyond trade, on its active involvement in the collective attempts at solving the problems that confront it. This was clearly seen in the modest perspective of the 1989 Latin American Strategy, and to its credit, the government has stood by that view ever since.

Regional Governance and the OAS

Hemispheric convergence in the Americas feeds on converging political and economic outlooks, a shared agenda on key issues such as human rights, long-term prosperity and sustainable development, and a community of interests deriving from the transnational character and potential spill-over effects—through migration, for instance—of problems such as political instability, economic collapse and drug trafficking. Although these factors do not produce an overwhelming pressure to integrate on a hemispheric basis, they do create the opportunity, and generate significant incentives for the countries of the region to work together. A number of problems, however, hamper the smooth emergence of effective regional governance in the region, as well as the consolidation of the logical focus of such governance, the OAS.

Obstacles to Regional Governance in the Americas

A Hierarchy: Twisted Multilateralism

The asymmetrical power relationship between the US and Latin American partners remains the defining feature of the inter-American political landscape. The US penchant for unilateralism (or regional neglect) meets Latin America's search for legal/institutional and sub-regional counterweights to US hegemony. The creation of the OAS in 1948 (and its cumbersome structures) embodied this tension, and despite the post-Cold War convergence of values regarding democracy, open economies and trade liberalization, the legacy of its creation and subsequent failures continue to haunt the OAS.

The key problem is that the United States is unlikely to be constrained by even the strongest of regional regimes. As was clearly seen in the discussion of the WTO in the US Congress, a

significant number of US politicians do not recognize the binding character of international treaties when they clash with the views of nationally-elected officials. As Canada saw in the softwood lumber case, NAFTA does not qualify either as a constraint for Congress or even for the Executive. This means that a consolidation of regional multilateralism will further limit the autonomy and power of small and middle power, for whom it will be exceedingly costly to challenge the regime, while de facto leaving untouched the autonomy and sovereignty of the only superpower in the region. For countries such as Brazil and Mexico, this is enough to justify resisting the consolidation of the OAS or of any binding regional regime.

B Complexity: The Summit Frenzy

The post-Miami period gave rise to additional complexities in hemispheric diplomacy. Three new multilateral activities arose from the Miami Summit, but are not within the OAS's jurisdiction. The so-called 'Summit Process' initiated under US leadership in Miami, was to be followed in April 1998 by another in Chile, involving a series of working groups coordinated by the US in SIRG—the Summit Implementation Review Group. In addition, the 'Williamsburg Process' initiated by US Defence Secretary Perry after Miami involves regular meetings of Defence Ministers throughout the Western Hemisphere. Notwithstanding the existence of its new Permanent Committee on Security, the OAS remains in the shadow of this exercise. The final element in this multitrack confusion is the Trade Ministerial Process, which began in Denver (1995), continued in Cartagena the next year, and then in Belo Horizonte Brazil (1997) and, in mid-March 1998, in San José, Costa Rica. While the OAS Trade Unit is performing essential preparatory work for the Trade Ministerial in collaboration with the Inter-American Development Bank and the Economic Commission for Latin America and the Caribbean, the OAS again is a marginal player in the FTAA agenda. Although all three efforts are potentially beneficial, the issues of overall coordination and the OAS role must be addressed.

The summit frenzy that appears to have engulfed the hemisphere after Miami introduces a modicum of uncertainty in regional governance. Under-institutionalized by definition, proliferating summits are open to raw power politics and thus, give clear opportunities to the stronger player(s). At the same time, the summit processes narrow the material basis of institutionalized multilateralism, by absorbing significant amounts of human and financial resources. The outcome is certainly negative for the OAS, yet not necessarily advantageous for the United States, which predominates in the current arrangements. Countries such as Brazil, with a clear view of hemispheric politics, a coherent strategy, and a compact foreign

policy establishment, might well benefit most, in relative terms and at this point in time, from such a *décloisonnement* of hemispheric political dynamics. Still, given the challenges confronting the region, it is hard to see much benefit in weaker institutional mechanisms. For if one accepts with Adam Przeworski [1988] that democracy requires the submission of all interests to uncertainty, it is only established when that universal uncertainty is institutionalized.

C Diversity: Competing Visions of Open Regionalism

The stakes in developing a stronger regional, multilateral order continue to grow for all countries in the Americas. And all 35 of them recognize they confront transnational issue-areas such as trade, sustainable development, and security that require cooperation. Still, every state is enmeshed in quite different ways within the multilateral networks at the global, regional, and sub-regional levels.

In trade policy, for example, the months following the Miami Summit saw the end of general enthusiasm for NAFTA-accession as the preferred model of hemispheric trade integration while MERCOSUR emerged as an alternative mechanism for South America. The reasons for this mutation are complex, as are the long-term implications for multilateralism in the Americas. Fundamental questions are raised by the reality of the US and Brazil as anchor-states of NAFTA and MERCOSUR, respectively. Are the 'driving forces of regionalization,' so to speak, creating not one, but two economic regions in the Western Hemisphere? Is MERCOSUR more appropriately viewed from a global perspective as a major trade integration bloc in its own right (as is NAFTA), or primarily as a sub-regional building block towards an FTAA? Is the Rio Group emerging as a counterpoint to the OAS? Is the Monroe Doctrine contested by the vision of Bolivar? Whatever the answers to each of those questions, the post-Miami Summit era is clearly characterized by an increasing decentralization in the Western Hemisphere, one that must be accommodated in any optimal architecture for regional governance.

Each country moreover, and particularly the major ones, has a different approach to multilateralism. While the United Nations system appear best equipped to handle some agendas, regional institutional arrangements, such as the OAS, could have a comparative advantage in others. This challenge of 'subsidiarity' requires careful attention: Mexico is pleased with the 'Puebla process' (on migration) precisely because it is not in the OAS. Ad hoc sub-regional initiatives have in fact been more successful than formal region-wide

machinery in dealing with the accelerating rate of inter-state cooperation in the Americas since 1990. Moreover, the integration process comprises a broad, complex and multi-dimensional community-building process that goes beyond trade and involves growing civil society interaction.

An overview of the OAS

The OAS, created in 1948 but evolved from a long pan-American tradition, remains the central focus of regional governance despite its inadequacies. Comprising all the governments except Cuba—which remains suspended—the OAS is unique in its representative function: the one regional, political forum to include Latin America, the US, the Commonwealth Caribbean and now also Canada. Whatever the strength, or continuing vitality, of regional consciousness associated with the century-long 'inter-American system,' the OAS would have to be created if it did not exist: there is a strong consensus among all countries from the Southern Cone to the Arctic Circle, the US included, on the need for something like the OAS. The problem facing the organization as the 1990s draw to a close is the continuing lack of consensus among the 34 governments on its appropriate role, structure, and authority in a period of increasing interdependence. That the OAS faces an historic debate is not in doubt. According to the most recent report reviewing the future of inter-American governance, 'the OAS is the logical and principal mechanism through which governments can collaboratively engage each other—and civil society—in the management of hemisphere affairs, and. . . it should therefore constitute the central 'hub' of the hemisphere's multilateral network.' [InterAmerican Dialogue 1997:3]. But the emergence of the OAS from the sidelines, where it remains, to the centre of the political integration of the Americas depends on the 34 national governments.

The OAS is now accepted as an essential part of the regional architecture in the Western Hemisphere. Although, during the 1980s, its very existence seemed in doubt, this is no longer the case. In the early 1990s significant achievements such as Resolution 1080 (Santiago Commitment, General Assembly, 1991) breathed new life into the battered institution, fuelling hopes that at last the OAS would emerge as the dynamic core of inter-American governance (that resolution, inserted in the OAS Charter in 1992, created an automatic mechanism for the OAS to react to military coups and the overthrow of elected governments in member countries). The advent of a new Secretary General in 1994 — Gaviria, former President of Colombia — speaking the language of democratic liberalization and cooperative security,

also augured well for OAS renewal. The overall inter-American mood was upbeat when the 34 Heads of Government assembled in Miami in December, 1994 for the first Summit of the Americas since 1967.

From one perspective, the OAS has come a long way since the 1980s. In several key agenda areas—such as the promotion of democracy and cooperative security—major advances have been achieved, crowned with the establishment of the Unit for the Promotion of Democracy (UPD) and a Permanent Committee on Hemispheric Security. Resolution 1080 has been invoked four times. Electoral observation remains an important OAS activity, most recently and successfully in Nicaragua. The new Inter-American Council on Integral Development (ICDI) offers the possibility of tidying up the small OAS technical assistance program, and more importantly, providing an instrument for more effective inter-American leadership on socioeconomic and sustainable development issues. The new Trade Unit has been a runaway success. The Secretary General's Office maintains a heady production of 'vision' documents on all subjects. Nevertheless, despite every effort of the Secretary General, this incipient OAS strengthening process has already largely stalled in the aftermath of the Miami Summit. Since then the OAS (and the overall inter-American mood) has encountered unexpected turbulence, blunting the reform process undertaken by Secretary General Gaviria, raising doubts and lowering expectations of its role. There has been a recent drought of creative initiatives like the Santiago Commitment (Resolution 1080) and a sense of drift in the Permanent Council. Collectively and individually, the advances since the early 1990s have confirmed the OAS's presence and potential, but not decisively shored-up its legitimacy. The US, Brazil and other governments are in arrears on funding commitments, lowering further the morale of the Secretariat. Difficult to revive, easy to deflate, the cash-strapped OAS stands in the towering shadow of the Inter-American Development Bank which has become the primary regional institution in the Americas.

Given these constraints, if the OAS is to become the central hub of hemispheric governance, it must perform two essential roles. First, it must become a 'central deliberative forum' through which governments and civil society shape a regional consensus on the principal issue-areas confronting them and develop the norms and guidelines for dispute settlement and inter-American cooperation. Second, the OAS must shake off the dust from previous decades and revitalize its capacity to perform the 'central secretariat/clearing house' role required by members for effective interaction in hemispheric community-building. Such an evolution of the OAS into an effective instrument of political integration would shift its organizing concept away from project execution to 'an overall, proactive forum, forging

cooperation among member states, inducing agreements and commitments from governments, generating policy norms and principles as well as strategies, and coordinating cooperative ventures and activities of action bodies' (Inter-American Dialogue 1997: 14-15), but not toward regulation and constraining regime-building.

The Leadership Challenge for Canada

Functionalism and Leadership

There are clear advantages to a sound and long-term hemispheric partnership, the first of which is the possibility of balancing, however partially, the United States' economic and political weight. But there are others as well relating to core Canadian values such as peace-building and human security. A key condition of such a development is the progressive establishment of compatible norms and rules-based regimes with Latin and Caribbean and US partners to manage interdependence more effectively. Hemispheric governance, or the strengthening of an institutionalized and organized system of cooperation and constraint, is therefore an essential condition of community-building in the Americas. Effective governance makes the hemispheric option both feasible and advantageous; since 1990s Canadian governments have invested heavily in regional institutions, starting with the OAS. The point is that a regional "home" is most useful to have in the globalized world, and if Canada is ever to have one, that home will have to be the Americas [Klepak 1994]. Nowhere else can Canada find a group of countries willing to consider it as part of a first circle of allies and partners, both in political and economic terms.

This commitment to the Americas, and the effective integration participation of Canada in hemispheric governance, will not be achieved through an automatic process driven by the emergence of common needs in the face of common challenges. There is no functional necessity to Canada's option for the Americas. In fact, one could argue in a classical functionalist manner that structural forces push in the same direction as commercial trends: toward absorption within a US-centred North American universe. Despite increasing interactions with Latin Americans at the bilateral and multilateral levels, in other words, effective and full membership in the Western Hemisphere remains far from assured.

Without overwhelming functional pressures to drive the hemispheric orientation, only a decisive and long term policy option can sustain it. The benefits of such a regional option

must be much more widely understood within Canada to nurture an adequate political base to sustain it. To be of interest to an open economy and a modern, developed and democratic polity such as Canada, a regional partnership must offer tools and avenues of cooperation that support and enhance bilateral and global coalition-building. Voluntarism and long-term strategic vision must fill the vacuum of functional pressure. Effective Canadian integration in the Americas requires government leadership; a cold look at the situation and prospects of our partners, offset by sensitivity to their difficulties and outlook; effective coalition-building at home; and investment in capacity-building on the region in Canada.

Leadership and Dialogue in the Hemisphere

Canada's capacity to take the lead on inter-American trade policy before 1994 resulted not so much from solid coalition-building based on sound convergence of Canadian and Latin American interests, but instead from the incapacity of the United States to move decisively, and from the unwillingness of the Latin Americans to jeopardize the whole process. The prize of hemispheric trade liberalization was and remains access to the United States' market, and this is what drives the process for the biggest players in Latin America. Yet these countries, Brazil in particular, are not interested in moving too quickly into a demanding—and thus potentially costly and destabilizing—trade regime. [Botafogo Gonçalves [forthcoming](#)]. For the United States, the energy that fed the hemispheric initiative, from 1989 on, was the prospect of economic fortresses emerging in Europe and Asia on what looked like the ruins of the Uruguay Round. With the establishment of the WTO, that energy has dissipated [Hart 1995]. There are moreover few other positive US policy initiatives toward the region, now that USAID's budgets for the region are evaporating and US security policy is less coherent today than during the first Clinton Administration.

The dependent nature of Canada's trade policy appears most vividly in the debate about fast track and the recent developments on that question. In the wake of the Clinton administration's defeat on this issue, it appears that fast track could only come about if significant concessions are made to the Gephardt-led protectionist lobby. These concessions would have a lot to do with Canada's trade surplus with the United States. As a result, Canada finds itself in the awkward situation of having to pay potentially a significant price for a hemispheric integration process over which it will have little control once the United States moves decisively in. If no compromise is reached in the United States, even though Canada

could keep the initiative and even some control over what would remain of the integration process, it would be riding a pretty sick animal.

These issues must be taken into account immediately. Canada's enthusiasm for integration and trade liberalization, while crucial to maintaining the momentum of the FTAA process, now threatens to isolate it from the very countries it wants to get closer too. This is especially true on trade and investment. Whatever the theoretical case for or against capital controls, the rigidity shown in the negotiation with Chile damaged our long-term strategy in the region. To push for quick trade liberalization through an ambitious FTAA, once again the theoretical case notwithstanding, similarly goes against the political momentum in the region. Similarly, pushing too hard for the adoption of labour and environmental standards risks alienating Latin American countries, always wary of US tactics to introduce non-tariff barriers.

On all those issues, the key risks are for Canada to find itself alone in front or, perhaps more damaging politically, alone with the US against the rest of the hemisphere—as happened in Costa Rica in 1997, on the issue of a US proposal to set up working groups on labour and environmental standards: in the face of strong opposition from Chile and the MERCOSUR countries, who want those issues discussed in ILO fora, Canada was the only country to support the US. The fact is, in the short and medium term, Canada has little to gain or lose from progress in any of these areas. This offers lots of leeway, but also limited legitimacy for pushing too hard.

The domestic politics of trade liberalization and capital control are complex in Latin America and the Caribbean. Whatever the personal views of the people in power, the whole program is not an easy sell with the public after a decade or more of hurting adjustment. This is why the issue of the "rhythm" of integration, as the Brazilians (fittingly) put it, is so crucial. Similarly, as we saw before, the prospects of a constraining trade and investment regime for the region generates lots of discomfort in countries used to US unilateralism—something Canada should sympathize with. The paradoxical implication is that a strategy that endeavours to bring Canada closer to the region in the long term needs to promote less economic integration in the short and medium term. Canada, in other words, should use the freedom that its still limited interest in the region offers to show understanding and sensitivity to the political, social and economic hurdles that confront free-traders and integrationists in the region.

In the same perspective, and recognizing the peculiarities of hemispheric politics, Canada should promote a soft multilateralism and flexible regime-building in other areas, avoiding constraining regimes until universality of application (i.e. application to the US) can be guaranteed. This could for instance involve the development of a blueprint of a plan, likely to be supported by the key non-US players in the hemisphere, that would explore the ways in which hemispheric governance could be fashioned so as to avoid the pitfalls that currently befall it. Against an increasingly clear danger of isolation and ineffectiveness, in sum, Canada should better balance leadership and dialogue.

Coalition-building and dialogue in Canada

Beginning in the 1980s, 'global civil society'—NGOs, business associations, and unions—has secured a strong presence in the global and hemispheric multilateral agenda. Parallel summits and forums have become standard at intergovernmental get-togethers, most spectacularly at the 1992 ECO-Summit in Rio. Business associations, unions and NGOs have shown a willingness to become increasingly closely involved in the larger politics of multilateral governance. Canadian civil society players have been very active on that front. Fast-growing networks of business associations, quickly expanding NGO coalitions, and increasingly tight North-South union linkages have developed into a social counterpart to the political enterprise of integration. This process has been to some extent welcomed by the Chrétien government: under both Foreign Affairs Ministers Ouellet and Axworthy, DFAIT has answered by widening the circle of consultees involved in the policy-making process. In addition to national forums on various dimensions of the country's foreign policy, the government has supported a national consultation in preparation for the Santa Cruz (Bolivia) Summit on sustainable development, in 1996, and a series of regional consultations designed to feed into the preparation for the Santiago Summit of the Americas.

This civil society hemispheric build-up, however, suffers from the same weak basis as Canada's hemispheric enthusiasm. It does not generally rely on strong converging interests or significant material investments. In a way, this should come as no surprise, given that, to a large extent, it is sustained and financed by the government. But this is only part of the problem, as government support could be seen as a kind of seed money. The larger problem lies instead in the lack of commitment, or the inconsistencies of the commitments of those sectors interested in the region.

The private sector, for one, has been betting on the South, but with utmost care. There is lots of talk of Canadian business interest in Latin America. Yet, while significant pockets of involvement do exist, such as the mining enclaves in Chile, the level of Canadian investments in Latin America, relative to total Canadian foreign investments, is not higher now than it was before the debt crisis. In some key sectors, banking in particular, the relative weight of Latin America is significantly less than at the beginning of the 1980s. In trade, when one compares the Team Canada harvest from visits in Asia and Latin America, the results from the latter look distinctly unimpressive. To use the latest two examples and accepting that number inflation is more or less proportional, the huge caravan of politicians and business people brought back \$8 billion of contracts from its 1997 visit to Asia, and barely \$500 million for the January 1998 foray in the biggest economies of Latin America.

Possibly more significant in the long term, wider civil society linkages have been established in recent years, led essentially by a coalition of NGOs and unions preoccupied with the drive to trade and investment liberalization. The NGO sector is probably the segment of Canadian society whose commitment to Latin America has been the most consistent over the last twenty years. In the 1980s, in fact, with government and business abandoning the region to its debt problems and political instability, NGOs provided the only significant link to the Latin America, their mobilization forcing the government to take stands in a region it appeared tempted to forget about. That involvement was concentrated in Central America, where the last *soubressauts* of the Cold War were being played out, to devastating effect. Canadian NGOs and unions, as well as a few committed academic supporters, took clear stands in favour of the Sandinista regime in Nicaragua and, to a lesser extent, of the guerrillas in El Salvador and Guatemala. Above all, they criticized US involvement in the region, as well as the forces, either governmental (as in El Salvador), or in the opposition (the Nicaraguan Contras) that were clearly supported by the Reagan and then the Bush administration.

The end of the 1980s was a major turning point for the region. Developments in Eastern Europe found echo in Central America, as the Sandinistas were defeated in the polls and the last all-out effort of the Salvadoran guerrillas proved fruitless. Dreams of revolution and socialism vanished, and business people moved in. Quickly modernizing Mexico and Chile soon became international darlings, and the whole continent, suddenly governed by elected officials, bought into, albeit to varying extents, freer markets and trade liberalization. In Canada, the shock had come a year before, with the 1988 election, which became polarized around the Free Trade Agreement with the United States. Brian Mulroney's Conservatives won a majority of seats, but without a large political mandate. Yet they ratified the treaty.

This first move was soon to throw the country into NAFTA, which in turn determined the hemispheric option which we have been living with since. A popular coalition was opposed en bloc to the Canada-US FTA—with Québec perhaps less clearly divided. It then opposed NAFTA, with much less success, and now opposes the FTAA, with ever less impact. Since 1994 at least, however, the hemispheric debate has taken trade liberalization and the basic parameters of liberal economics as given. Moreover, with trade and economic issues becoming central to Canada's relationship with the region, the focus of interest has shifted from poor and small Central America to much richer and especially much bigger South America. Refusing to accept the new parameters of economic policy in the hemisphere, NGOs and unions have with few exceptions seen their weight in the policy debate diminish significantly.

The long-term importance of the links established, especially through union networks, should not be under-estimated, however, if only because they are based on very real material interests. If there is one area where functional pressure is the driving force of integration, this is probably it. Obviously, there is an inherent contradiction in a hemispheric coalition ultimately set up to resist the drive toward integration. However, given that liberalization is unlikely to be stopped, this coalition should get broader and more differentiated. In the current context, moreover, its mobilization to force a reassessment of the speed and modalities of the liberalization drive puts it very much in the same camp as most countries of the region. Dialogue with these organizations here, and sensitivity to their qualms, should fit quite neatly with the North-South government-level dialogue that is needed for a sounder longer-term rapprochement with the region.

Capacity-building in Canada

In the wake of Team Canada's disappointing harvest in Latin America, the issue of overblown expectations has come to the fore. Indeed, the overview presented in this paper suggests that the region has been badly oversold. The temptation will be strong to put it back where it does NOT belong: on the sidelines of Canada's foreign policy—i.e. on the sidelines should be avoided at all costs and measures must be taken to avoid cycles of booms and busts in the interest for the region. A key component of such a strategy has to be the deepening and widening of Canadian knowledge and capacity on the region. The thinness of institutional memory regarding Latin America, both in government and beyond, is striking. Similarly, expertise on the region, academic or otherwise, remains scarce: to point to a

glaring gap, there are no first-rate specialists in Brazil's economy in this country, and only one published expert on its political system. Similar statements could be made, barely amended, on all other countries of South America. Mexico is the exception, with a wide and pretty sound knowledge base. But to reach that level for Brazil, Argentina, Venezuela, Peru, Chile and Colombia, in the next decade, is an absolute necessity if Canada is to forge a long-term relationship with the region.

Talks about the third pillar of Canada's foreign policy—culture and education—must be supported by significant investments in the development of domestic capacity and in supporting the establishment and consolidation of academic networks throughout the hemisphere. Some CIDA programs have contributed to this, but building Canadian capacity sits awkwardly with the mandate of an aid agency. Clear stands have been taken by the current Foreign Minister and his predecessor, but they have not been followed by significant investments of resources, and they have not found the needed support, to say the least, within DFAIT's bureaucracy.

Conclusion

The dream of an easy sail into the Americas is over, broken on the rocks of Latin America's lingering economic, social and political problems and on the congenital limitation of multilateralism in James Monroe's hemisphere. An animal called the 'hemispheric integration process' lives on, but it sleeps every now and then in an intensive care unit. Yet this is the horse that Canada, strangely unaware, has been riding for the last few years. No wonder the only race it won in recent years—a bilateral treaty with Chile—gave it better access to a market that represents barely more than one-tenth of one per cent of Canada's exports (1996).

The hemispheric option that Canada made in 1989-1990, however, still makes good sense. Canada has much to gain and much to contribute in the consolidation of a regional community in the Americas. Significant progress was made at the beginning of the decade, but the somewhat lofty dreams of the 1990-1994 period have to be abandoned. A number of challenges have emerged and opportunities for leadership abound, but they call for a more careful reading of the region's prospects, as well as more sensitivity to the preoccupations of the region's governments and peoples.

In Canada, exaggerated short-term expectations and a poor reading of the region's dynamics jeopardize the political basis of a hemispheric option that is not self-sustaining at this point. A long-term commitment to the region is required from the government, as well as a strategic outlook that tackles the complexity of a dialogue with the region and with Canadian civil society, as well as the wildly insufficient level of knowledge about the region.