



**HOUSE OF COMMONS  
CANADA**

**STRENGTHENING CANADA'S ECONOMIC  
LINKS WITH THE AMERICAS**

**Standing Committee on Foreign Affairs  
and International Trade**

**Bernard Patry, M.P.  
Chair**

**Mac Harb, M.P.  
Chair  
Sub-Committee on International Trade,  
Trade Disputes and Investment**

**June 2002**

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## **OTHER MEMBERS WHO PARTICIPATED IN THE STUDY**

Stéphane Bergeron

Ghislain Lebel

Bernard Bigras

Wendy Lill

Antoine Dubé

Gary Lunn

John Duncan

Pat Martin

Ivan Grose

Yves Rocheleau

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Michael Holden  
Jay Sinha





## **ACKNOWLEDGEMENTS**

The Sub-Committee's work would not have been possible without the co-operation and insight of the witnesses who appeared before it in Ottawa and during our fact-finding mission to Latin America. We were also extremely well served by our excellent staff, including our clerk Mike MacPherson and the research team of Peter Berg, Michael Holden and Jay Sinha. These dedicated individuals worked tirelessly and effectively to meet required deadlines despite heavy workloads. We express our heartfelt appreciation to the witnesses and the Sub-Committee's staff.

Mac Harb, M.P.  
Sub-Committee Chair



# **THE STANDING COMMITTEE ON FOREIGN AFFAIRS AND INTERNATIONAL TRADE**

has the honour to present its

## **TWENTY-SECOND REPORT**

In accordance with its mandate under Standing Order 108(2), your Committee established a sub-committee and assigned it the responsibility of an in-depth examination of the Free Trade Area of the Americas in view of strengthening economic relations between Canada and the Americas.



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# LIST OF RECOMMENDATIONS

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## Recommendation 1

That, in order to generate economic benefits for Canada, carve out a distinct Canadian identity, build momentum for the Free Trade Area of the Americas (FTAA), and serve as an insurance policy in the event of FTAA failure, the Government of Canada aggressively pursue bilateral trade and investment agreements with Latin American and Caribbean countries as well as country groupings.

## Recommendation 2

That Canada form alliances with like-minded countries and regions within the hemisphere to encourage reluctant countries to become more active in economic integration efforts and to dissuade potential FTAA partners from resorting to protectionist measures.

## Recommendation 3

That, Canada take on a “champion” role regarding the FTAA, mobilizing political, civil society and business support to achieve a hemispheric free trade agreement by 2005.

## Recommendation 4

That the federal government work in conjunction with other countries to harmonize statistical methodologies in the collection of international trade data.

## Recommendation 5

That, given the relative importance of the United States and Mexican markets to Canadian business, the Government of Canada actively seek to remove existing impediments to trade and investment between Canada and its NAFTA partners. The government should ensure that its regulations and policies governing trade are appropriate to the level of economic integration that already exists between the three countries.

#### **Recommendation 6**

**That, when negotiating future trade agreements, the federal government bear in mind the need to improve upon certain provisions of the NAFTA, such as those identified in the body of this report.**

#### **Recommendation 7**

**That, as a preliminary step in enhancing its bilateral relationship with countries in Latin America and the Caribbean, the Government of Canada accelerate its efforts to complete ongoing negotiations with individual countries on Foreign Investment Protection and Promotion Agreements (FIPA) and double-taxation agreements.**

#### **Recommendation 8**

**That, in an effort to advance its goal of trade liberalization and economic integration in the Americas, the Government of Canada energetically pursue its ongoing bilateral free trade negotiations with the CA-4 countries and its preliminary discussions with the CARICOM group. In light of the political opposition in Costa Rica to the Canada-Costa Rica FTA, Canada should also make an effort to promote its trade accords within the participating countries to ensure that the public is well informed about the benefits of those agreements.**

#### **Recommendation 9**

**That, as a precursor to further bilateral trade liberalization within the Andean Community, the federal government agree to the organization's request for Preferential Market Access, but condition its response on the successful conclusion of negotiations on Foreign Investment Protection and Promotion Agreements and double-taxation agreements, as well as on the resolution of regulatory obstacles to Canadian investment.**

#### **Recommendation 10**

**That Canada initiate bilateral free trade negotiations with the Andean Community and the Mercosur countries, or alternatively, interested countries within those regional groupings. With Brazil already having been identified by the Government of Canada as its priority South American market, considerable effort should be devoted to improving Canada's bilateral relationship with that country.**



#### **Recommendation 11**

**That the federal government take measures to enhance its existing efforts to raise Canadian business awareness of commercial opportunities in the Americas. Additional funds should be allocated to assist the activities of Canada's foreign diplomatic posts in this area, and greater encouragement and support provided to Chambers of Commerce throughout the Hemisphere.**

#### **Recommendation 12**

**That the Parliament of Canada seek to establish closer parliamentary ties with the countries of the Americas.**

#### **Recommendation 13**

**That, in order to create a more integrated and efficient presence abroad, the Government of Canada ensure that greater co-ordination and communication be introduced between Canadian Embassies and Consular Offices abroad. Within each country, a single foreign-service strategy and explicit organizational structure should be developed.**

#### **Recommendation 14**

**That, in order to assist with the communication and dissemination of information with regard to Canada's trade-related initiatives, designated media contacts be established in Canadian embassies, particularly in those countries displaying considerable Canadian trade interests.**

#### **Recommendation 15**

**That Canada provide the smaller economies of the Americas with greater financial and technical resources to help build the capacity necessary for these countries to negotiate, adapt to and benefit from the FTAA. Technical assistance in the development of vocational training and literacy programs, and national strategies and programs to deal with the adjustment to free trade should be provided.**

#### **Recommendation 16**

**That the federal government support the inclusion into the FTAA of special measures that would provide developing countries participating in the FTAA with a flexible time frame for implementing the terms of the agreement.**

#### **Recommendation 17**

**That Canada encourage other participating members of the Inter-American Development Bank to strengthen the mandate of that institution and its contribution to addressing the development requirements of countries in the Americas, as outlined in the Plan of Action of the Third Summit of the Americas.**

#### **Recommendation 18**

**That, in order to further enhance transparency of free trade negotiations as well as civil society participation, the Government of Canada actively encourage governments within the Americas to consult widely with their populations and civil society during the FTAA negotiating process; to render public FTAA negotiating texts; to encourage the activities of non-governmental organizations within their respective countries; and to help initiate a dialogue between business and non-governmental organizations on free trade issues.**

#### **Recommendation 19**

**That Canada spearhead the development of a hemispheric education and awareness campaign on the merits of free trade in general, and the FTAA in particular. Consideration should be given to the use, within such a campaign, of Canadian trade experts, as well as to an enhanced employment of embassy and foreign Chamber of Commerce resources.**

#### **Recommendation 20**

**That the Government of Canada encourage the use by FTAA participants of the benefits of free trade agreements to address income inequality concerns.**

#### **Recommendation 21**

**That the Government of Canada diligently strive to attain FTAA consensus on the importance of achieving a comprehensive agreement to protect investment within the FTAA. NAFTA type investor-state provisions should be excluded from the FTAA agreement.**

**Recommendation 22**

**That Canada promote the injection of clauses within the FTAA Agreement that would tie countries' access to the benefits from FTAA membership to proven respect for democratic rights.**

**Recommendation 23:**

**That the Government of Canada ensure its ability to preserve and promote cultural diversity by accelerating its efforts to achieve the desired New International Instrument on Cultural Diversity.**



# STRENGTHENING CANADA'S ECONOMIC LINKS WITH THE AMERICAS

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## A TRADE AND INVESTMENT STRATEGY FOR THE AMERICAS

When the Sub-Committee on International Trade, Trade Disputes and Investment agreed to the Minister of International Trade's request to launch an inquiry into Canada's negotiating strategy at the World Trade Organization (WTO)<sup>1</sup>, it also decided to concurrently examine the state of negotiations of a Free Trade Area of the Americas (FTAA)<sup>2</sup> as well as Canada's bilateral economic ties to the Americas region.<sup>3</sup>

To examine each component of the Government of Canada's three-pronged (bilateral, regional, multilateral) trade strategy in this way makes ample sense. All three elements are interrelated, with progress in one area directly affecting the others. For Canada's international trade strategy to be effective, we are convinced that positive results must flow out of each component.

A number of the witnesses appearing on WTO issues were thus asked to also offer their views on the FTAA and the existing bilateral links. These Ottawa-based hearings were supplemented by a two-week fact-finding mission to Central and South America<sup>4</sup>, in which Sub-Committee members were able to measure the pulse of the region on both the potential free trade agreement and on the current bilateral relationship. North American travel was excluded from our itinerary by design, as it was already being undertaken by the House of Commons Standing Committee on Foreign Affairs and International Trade (the Sub-Committee's parent committee) as part of its examination of North American integration.

Our successful fact-finding mission to Latin America has helped greatly in enabling the Sub-Committee to formulate its vision of what an effective trade and investment strategy for the Americas might look like. On the bilateral side, we were told that individual countries or regional groupings of countries were very receptive to opening free trade

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<sup>1</sup> The Sub-Committee presented its findings on the WTO in its May 2002 report entitled *Building An Effective New Round Of WTO Negotiations: Key Issues For Canada*.

<sup>2</sup> Information on the ongoing FTAA negotiations can be found on the Department of Foreign Affairs and International Trade website at [www.dfait.gc.ca/tna-nac/ftaa1-e.asp](http://www.dfait.gc.ca/tna-nac/ftaa1-e.asp).

<sup>3</sup> This report follows the October 1999 report of this Sub-Committee on the FTAA (*The Free Trade Area Of The Americas: Towards A Hemispheric Agreement In The Canadian Interest*) and the June 2001 report of the Foreign Affairs and International Trade Committee on the Summit of the Americas (*Balance, Transparency and Engagement After the Quebec Summit*).

<sup>4</sup> Countries visited included Costa Rica, Chile, Peru, Brazil and Colombia. One of the Sub-Committee members also travelled individually to Argentina to collect information on the state of affairs in that country.

discussions with Canada. Strengthening bilateral relations would provide several advantages. First, free trade is in Canada's best overall economic interest. The active pursuit of bilateral agreements should help create an awareness of Canada and the commercial opportunities that exist in both Canada and the region.

Second, there is also a potential competitive benefit for Canadian businesses and investors. By taking a leadership role in promoting free trade in the Americas, Canada can take advantage of its preferential status in those markets compared to other countries that have yet to sign bilateral agreements. The Canada-Chile free trade arrangement is the best example of this. Since its implementation five years ago, Canada has enjoyed superior access to the Chilean market than have the Americans. With each new bilateral agreement that Canada signs, it ensures itself of a competitive advantage for as long as it takes other countries to catch up. Over that period of time, Canadian firms can entrench themselves in those markets by creating knowledge, establishing linkages and making investments in that country.

Thirdly, actively pursuing bilateral trade agreements in the Americas could also have a considerable effect on the political and economic perception of Canada in Latin America and the Caribbean. In Chile, we found that Canada's existing bilateral trade agreement had generated extraordinary goodwill towards our country. The Sub-Committee was repeatedly told by government and business representatives that Canada was the first developed country to enter into such a relationship with Chile and that this action had been very highly regarded across the country. Similarly, the Sub-Committee was informed that political and business leaders in Costa Rica were grateful for Canada's efforts in entering into a trade agreement with that country (even if it has yet to be ratified in Costa Rica).

However, the Sub-Committee also learned that some people had a very poor understanding of Canada and that they frequently did not differentiate between Canada and the United States on key trade issues. For example, a Peruvian working on that country's FTAA Commission complained about the protectionist and restrictive agricultural policies of the North. This individual was simply unaware that Canada was a leader in agricultural trade liberalization and that Canada had considerable concerns of its own with the agriculture policy of the U.S., to which the witness had really been referring.

The situation was similar in Brazil. There, a perception exists that Canada's foreign policy is not independent of that of the Americans and that, when push came to shove, Canada would toe the U.S. line on FTAA negotiations. A more assertive and independent stance on bilateral trade negotiations could help promote awareness about Canada and address these concerns.

Fourth, achieving progress in the bilateral area can pay important long-term dividends in terms of developing the momentum required for the successful completion of FTAA negotiations and the building of hemispheric alliances in favour of free trade. As the former Costa Rican Minister of Foreign Trade told the Sub-Committee, all free trade

processes will lead eventually to an FTAA. A Brazilian academic and a Colombian lawyer ventured similar thoughts, that bilateral trade agreements really help to push the FTAA agenda forward.

Moreover, the more countries that can join together in the crusade towards trade liberalization, the more (it is hoped) that countries outside this hemispheric network will be isolated and less likely to seek out protectionist action. A number of witnesses in Latin America pointed to the merits of isolating the United States in this manner.

Finally, should the FTAA negotiations result in failure, having the existing bilateral agreements in place could serve as an important insurance policy for Canada. With the North American Free Trade Agreement (NAFTA) already in place for North America, the signing of several additional key bilateral agreements with important countries and regions in the remainder of the Americas would position Canada quite well within the hemisphere.

As a key part of its efforts to strengthen economic ties with countries of the Americas and for the other reasons that we have identified, the Sub-Committee believes that Canada should actively pursue such bilateral arrangements in the region. We recommend:

#### **Recommendation 1**

**That, in order to generate economic benefits for Canada, carve out a distinct Canadian identity, build momentum for the Free Trade Area of the Americas (FTAA), and serve as an insurance policy in the event of FTAA failure, the Government of Canada aggressively pursue bilateral trade and investment agreements with Latin American and Caribbean countries as well as country groupings.**

#### **Recommendation 2**

**That Canada form alliances with like-minded countries and regions within the hemisphere to encourage reluctant countries to become more active in economic integration efforts and to dissuade potential FTAA partners from resorting to protectionist measures.**

Over the course of its hearings and travels, the Sub-Committee discovered a great deal of pessimism that an FTAA agreement would be reached by the 2005 deadline, if at all. Many witnesses pointed to a real lack of leadership on this file, both on the part of political and business leaders. Not surprisingly, the concern often centred on the roles played by the United States and Brazil.

However, Canada was also singled out as an extremely credible country that could play more of a leadership role in bringing the FTAA to fruition. Spokespersons for Brazil's major industry group and the agricultural sector told the Sub-Committee that Canada could coordinate a common FTAA position to serve as a counterweight to that of the United States. It was also suggested that Canada could play the role of the "good brother" and attempt to exert influence on Brazil, convince Washington to open up on trade and get Latin American countries more integrated on trade. Representatives of the Canadian business community in Sao Paulo decried the lack of a public sponsor or "champion" of the free trade agreement.

The Sub-Committee is aware that ongoing negotiations in the various FTAA committees appears to be progressing well. However, leadership will be required when key negotiating decisions will have to be made. We believe that Canada should respond to the calls for expanding its role in the run-up to 2005, and recommend:

### **Recommendation 3**

**That, Canada take on a "champion" role regarding the FTAA, mobilizing political, civil society and business support to achieve a hemispheric free trade agreement by 2005.**



# IMPROVING ECONOMIC TIES WITH THE REGION

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## A. Overview Of The Existing Links

The Americas represent Canada's most important trade market. The U.S. is by far Canada's largest trade partner, while the enormous economic promise in emerging countries in Latin America and the Caribbean offers significant long-term growth potential elsewhere in the hemisphere. In recognition of the economic opportunities in the Americas, Canada has actively pursued a policy of removing the obstacles to doing business in that region of the world and opening those markets to Canadian investors and entrepreneurs.

One of the key aspects of Canada's policy towards improving pan-American economic ties has been to work towards removing existing barriers to trade. To that end, Canada has signed a number of trade agreements with other countries in the Americas. These include the NAFTA<sup>5</sup> implemented in 1994, as well as bilateral trade agreements with Chile and most recently with Costa Rica. Negotiations are ongoing on several other free trade initiatives as well.

Progress to date on lowering of tariff barriers and eliminating other non-tariff measures through trade agreements has greatly enhanced Canada's trading relationship in the Americas. Led by the continuing integration of the Canadian and U.S. markets, 89% of Canada's total merchandise exports are now destined for markets in the Americas while 69% of Canadian imports are purchased from that region of the world. Bilateral trade between Canada and other states in the Americas has expanded by 192% since 1991, rising from a value of \$204 billion that year to over \$595 billion in 2001.<sup>6</sup>

This tremendous growth in trade has been facilitated by the rapid expansion of Canadian foreign direct investment (FDI) in that region of the world. Outward investment by Canadian firms has been shown to not only generate domestic economic expansion, but also to stimulate export growth as well. A significant proportion of international trade takes place between parent firms and their foreign subsidiaries. By making it easier for firms to invest abroad, potential trade linkages are forged, and a market for export goods

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<sup>5</sup> Information on the North American Free Trade Agreement can be found on the Department of Foreign Affairs and International Trade website at [www.dfait.gc.ca/nafta-alena/menu-e.asp](http://www.dfait.gc.ca/nafta-alena/menu-e.asp).

<sup>6</sup> All figures in text are authors' calculations using Statistics Canada data.

and services is created. Studies have shown that each dollar in outward FDI is linked to two dollars in export growth.<sup>7</sup>

Canada's experience supports the claim that export growth is led by foreign investment. Canada's stock of direct investment flows into its five most significant American trade markets (the U.S., Mexico, Brazil, Chile and Venezuela) grew by 153% from 1991 to 2000, reaching a total of over \$166 billion in 2000.

Recognizing the importance of promoting economic growth and trade through increased investment, Canada has moved to lower barriers to investing across the Americas, either through integrated trade agreements (such as the NAFTA) or bilateral Foreign Investment Protection and Promotion Agreements (FIPAs). Since 1996, Canada has signed FIPAs with a number of countries, including Barbados, Venezuela, Trinidad, and Tobago, Ecuador, Panama, Uruguay, Costa Rica and El Salvador.

## **1. The United States**

Canada has closer economic ties with the United States than with any other country in the world. A common language, related history and long, undefended border with the world's largest economy have contributed to growing integration between the two countries and a Canadian economy that increasingly is oriented north-south rather than east-west.

The focus in Canada on market opportunities in the U.S. has been aided by the Canada-U.S. Free Trade Agreement (CUSFTA). Canadian exports to the U.S. have more than tripled since the agreement was signed in 1989 and imports from the U.S. in 2001 were over two-and-a-half times their 1989 levels. The U.S. now accounts for about 87% of Canada's total exports and about 64% of total imports.

The U.S. is also the largest destination for Canadian FDI. Estimates suggest that in 2001, Canadian investments in the U.S. were valued at just under \$200 billion, compared to less than \$57 billion in 1989.

## **2. Mexico**

Outside of the U.S., Canada has closer economic ties with Mexico than with any other country in Latin America or the Caribbean. Mexico is Canada's sixth-largest export destination and fourth-largest source of imports worldwide. In 2001, bilateral trade between the two countries totalled \$14.6 billion, accounting for 57% of Canada's trade in the Americas, excluding the U.S.

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<sup>7</sup> DFAIT, 2001, *Opening Doors to the World: Canada's International Market Access Priorities 2001*. Available at [www.dfait-maeci.gc.ca/tna-nac/2001/menu2001-e.asp](http://www.dfait-maeci.gc.ca/tna-nac/2001/menu2001-e.asp).

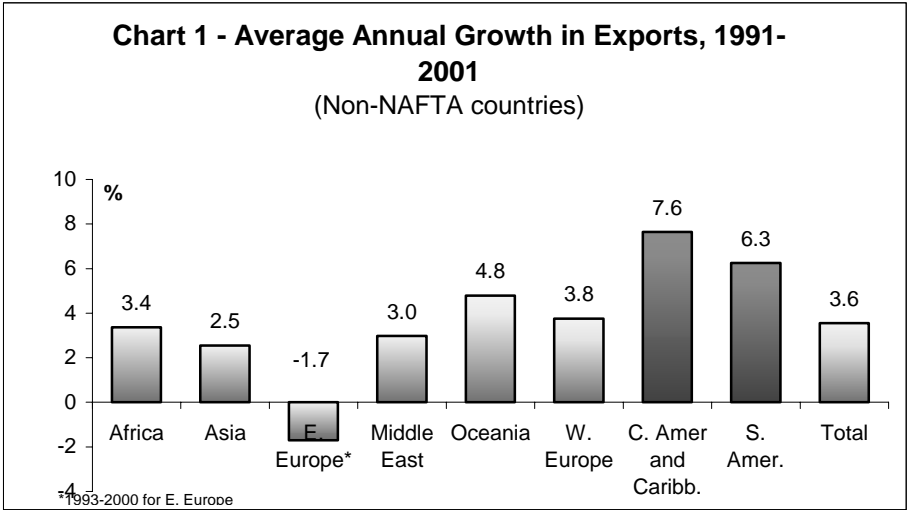
The NAFTA has played a major role in developing these economic linkages, contributing to a surge in trade between Mexico and Canada. Canadian exports to Mexico have grown by an average rate of 14.6% per year from 1993 to 2001, compared to an average of 3.8% for all other countries outside the NAFTA agreement. Growth in imports of Mexican goods has been even more impressive. Imports have averaged 15.9% growth every year since 1993, well ahead of the 10.0% pace registered by non-NAFTA countries over that period.

This explosion of trade has been aided by a similar surge in outflows of Canadian FDI to Mexico. Canadian investments in Mexico have increased by over 650% since 1993, rising from \$530 million that year to \$4.0 billion in 2001.

**3. South And Central America And The Caribbean**

While Mexico dominates its trade portfolio within Latin America and the Caribbean, Canada has also seen a rapid expansion in its economic relationship with countries in South and Central America, as well as with the Caribbean. In part a result of its bilateral free trade agreements (FTAs) and FIPAs in the region, Canadian investment in non-NAFTA countries of the Americas has soared since 1990 and trade has followed suit. Indeed, Canada has seen faster growth in exports with these countries over the 1990s than with any other region of the world (See Chart 1).

This strong growth, particularly in the case of South America, came despite the effects of the Asian Crisis in the late 1990s. Canada’s trade with South America had been exploding through the 1990s, averaging 18.4% growth annually from 1991 to 1997. This came to an abrupt halt in 1998, however, as turmoil in the Asian financial sector plunged several countries in the region into recession, including Brazil, Venezuela and Chile — Canada’s most important trading partners in South America.



Source: Statistics Canada, Library of Parliament

On the other hand, Canada's trading relationship with Central America and the Caribbean emerged from the crisis relatively unscathed. Indeed, even in 2001, when Canada's trade across the world was stagnant or falling, its trade with Central America and the Caribbean continued to do well. Exports to that region were 6.7% higher compared to a year earlier. Similarly, imports were 9.4% higher in 2001 than in 2000.

Although Canada's bilateral trade in the Americas (outside of the U.S. and Mexico) is growing quickly, it remains relatively small. Canada exchanged \$8.0 billion worth of goods with South American countries in 2001 and \$2.9 billion in Central America and the Caribbean that year. Together, those regions accounted for 7.1% of Canada's global trade outside of the NAFTA countries.

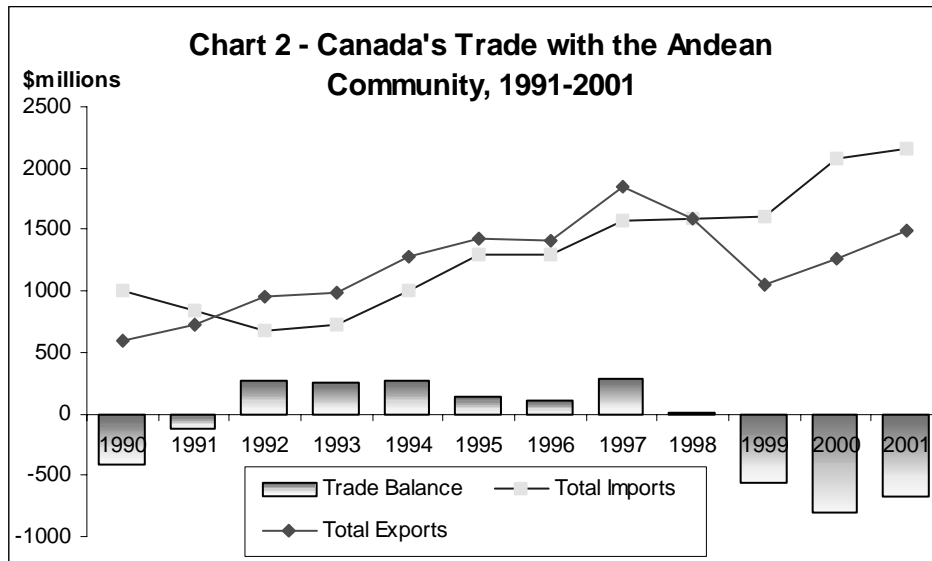
A detailed profile of Canada's trading relationship with individual countries in the Americas can be found in Appendix A. It bears mentioning, however, that much of Canada's trade with Latin America and the Caribbean passes in transit through the United States. Because of associated measurement problems, Canada's trade figures with that region are likely understated. The reliability of trade statistics is covered in a subsequent section of the report.

#### **(a) Major Countries And Regions**

The desire within Latin America and the Caribbean to take advantage of trade liberalization, as well as economic and social integration, has led to the emergence of a number of regional groupings of like-minded countries in that part of the world. The most significant of these, in terms of size and economic strength, are the Andean Community, the Southern Cone Common Market (Mercosur), and the Caribbean Community and Common Market (CARICOM) countries. Twenty-five countries in Latin America and the Caribbean are members of, or have some association with, these three regional blocs.

##### **(i) The Andean Community**

The Andean Community is a common market dedicated to economic and social integration across its member countries. It is comprised of five countries in the north-west of South America — Colombia, Peru, Venezuela, Ecuador and Bolivia. The Andean Community is a significant economic presence in South America. Generously endowed with natural resources, the region is home to 105 million people and contributes over \$286 billion to global economic output.



Source: Statistics Canada, Library of Parliament

The region has worked to liberalize trade both in its internal as well as external markets. The Andean Community became a free trade zone in 1993 and adopted a common external tariff (CET) in 1995. The average tariff on goods entering the region was 13.6% in 1998, down from 33% in 1989.

Canada's trade linkages with the Andean Community are stronger than with any other regional grouping in Latin America and the Caribbean. Bilateral trade in 2001 reached a record \$3.7 billion, overcoming the declines in trade in the late 1990s. Trade between Canada and the Andean countries has grown by 127% since 1990.

Of Canada's ten largest trading partners in the Americas, aside from its NAFTA partners, four are from the Andean Community — Venezuela, Colombia, Peru and Ecuador. Venezuela is the largest and fastest-growing of these, and is also Canada's second-largest trading partner in the hemisphere, south of Mexico. Bilateral trade between Canada and Venezuela totalled \$2.1 billion in 2001, \$792 million in Canadian exports and \$1.4 billion in imports.

Colombia is Canada's next-largest trading partner in the Andean Community and fourth-largest in the Americas (outside of the U.S. and Mexico). The two countries exchanged \$772 million in goods in 2001. Of that total, Canada exported \$357 million and imported \$415 million. Bilateral trade with Peru totalled \$441 million in 2001 and that with Ecuador \$269 million.

Canadian FDI in the Andean region has seen tremendous growth throughout the 1990s, reaching \$3.6 billion in 2001, compared to \$78 million in 1990. Over 60% of this investment in 2001 was in Peru, led by mining and resource industries.

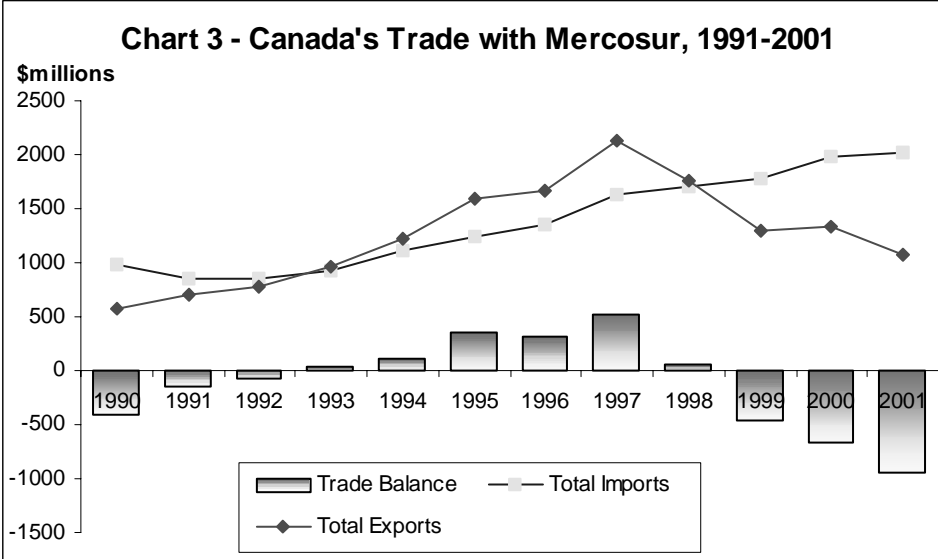
While Canadian investment in the Andean Community has risen considerably, it remains relatively low compared to the Mercosur and the CARICOM countries, however. This can be attributed, at least in part, to the fact that Canada does not have a wide network of investment agreements with Andean countries. Canada has signed FIPAs with Venezuela and Ecuador, but not with Colombia, Peru or Bolivia.

Canada and the Andean Community did, however, sign a Trade and Investment Cooperation Arrangement (TICA) on May 31, 1999. The TICA establishes the framework for pursuing stronger commercial and economic cooperation between Canada and the region, but is considered to be a relatively weak agreement.

**(ii) Mercosur**

The Southern Cone Common Market (Mercosur) was established in 1991 and is comprised of Argentina, Brazil, Paraguay and Uruguay. Mercosur is the largest economic market in Latin America and the Caribbean. Its four member countries are home to 217 million people and its combined GDP is about \$1.5 trillion, nearly equivalent to that of India — the fifth-largest economy in the world.

Mercosur is working towards the free circulation of goods, services, capital and labour across the four countries, as well as a common external tariff (CET) and the harmonization of macroeconomic and sectoral policies. This process is underway and expected to be completed by 2006. However, economic and political complications in Brazil in the late 1990s and ongoing turmoil in Argentina are creating some internal division within the grouping.



Source: Statistics Canada, Library of Parliament

Canada's bilateral trade with Mercosur grew tremendously through the early and mid-1990s, rising from \$1.6 billion in 1990 to \$3.8 billion by 1997. This growth was arrested in 1998 when the Asian economic crisis spilled into the region, particularly into Brazil — Canada's largest trading partner in the hemisphere, aside from the U.S. and Mexico. Canadian exports to Brazil, as well as to Argentina, have dropped precipitously since 1997. As a result, bilateral trade between Canada and Mercosur has fallen by close to 18% in the past four years.

Despite the recent and ongoing economic turmoil in the region and its effect on Canadian exports, Mercosur, and Brazil in particular, remains a significant trading market for Canada. Bilateral trade with Brazil totalled \$2.4 billion in 2001, with Canadian exports to Brazil accounting for \$914 million of the total and imports from Brazil adding the remaining \$1.5 billion. Prior to 1997, Canada carried a trade surplus with Brazil.

Mercosur is a major destination for Canadian FDI in the Americas. In 2001, Canadians held \$11.1 billion in investments in Brazil and Argentina, up from \$1.8 billion in 1990. FDI is evenly divided between those two countries<sup>8</sup> and is concentrated in the energy, mining and telecommunications sectors. Canada has signed FIPAs with Argentina and Uruguay, but not with Brazil or Paraguay.

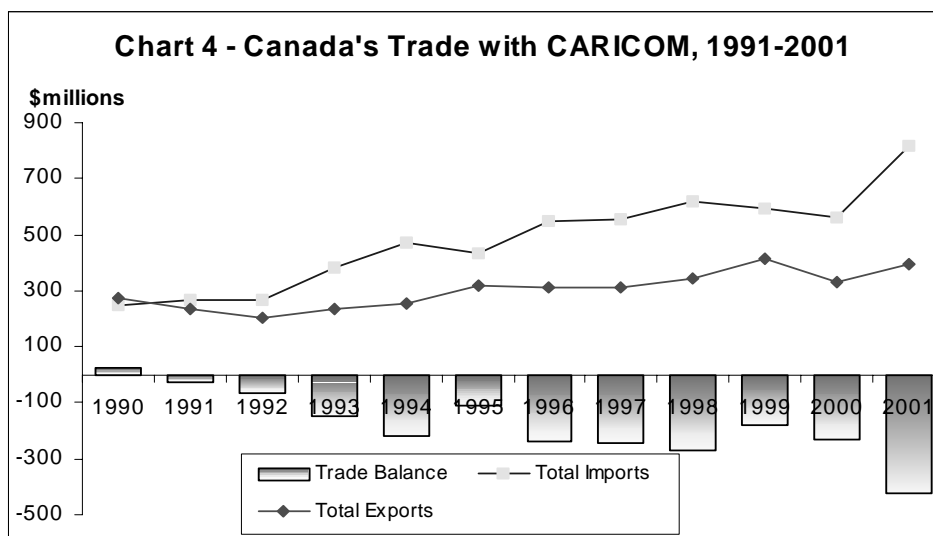
Canada and Mercosur signed a Trade and Investment Cooperation Arrangement (TICA) in 1998, laying the groundwork for improved bilateral trade and investment ties. It also established a framework for collaboration at the FTAA negotiations, the WTO and the Cairns group.

### **(iii) CARICOM**

The Caribbean Community and Common Market (CARICOM) consists of fourteen Caribbean countries, plus the Bahamas which is part of the Caribbean Community but not the Common Market. In early 2001, Canada and the CARICOM initiated preliminary discussions on a framework for negotiating a Canada-CARICOM free trade agreement. These discussions are expected to continue through 2002.

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<sup>8</sup> Data on FDI in Paraguay and Uruguay is not available.



Canada's trade with the CARICOM countries is relatively small compared to that with the Andean and Mercosur groupings, but has outpaced both in terms of growth. Bilateral trade totalled \$1.2 billion in 2001, up 133% from the \$521 million registered in 1990. Jamaica is Canada's largest individual trading partner in the region, at \$420 million in 2001, but Trinidad and Tobago is among the fastest-growing. Trade with that country has risen by 321% since 1990 to reach \$370 million in 2001.

While Canadian trade in the CARICOM countries is modest, the Caribbean region is a major destination for Canadian FDI. In particular, Barbados attracted \$23.3 billion in total Canadian investment in 2001, second in the Americas to the United States.

**(iv) Other Countries**

Other countries in the Americas are not formally part of regional clusters but are nevertheless significant markets for Canada. Chief among them is Chile, which is an associate member of the Mercosur group, but maintains a significantly lower tariff structure than do the Mercosur countries. The average import tariff in Chile is 7% in 2002, falling to 6% by 2003, compared to Mercosur's average CET of 14%. This gap makes it unlikely that Chile will formally join the Mercosur bloc in the near future.

Thanks, in part, to the bilateral free trade agreement signed in 1997 by Canada and Chile, the latter is among Canada's fastest-growing major trading partners in the Americas. Since that time, two-way trade has grown by 39.1%, reaching \$999 million in 2001. Although Canadian exports fell in 2001, growth in imports from Chile has been exceptionally strong.

Canada's fifth-largest trading partner in Latin America and the Caribbean is the one country in the hemisphere explicitly excluded from FTAA negotiations. Canada and Cuba exchanged \$753 million in goods in 2001, making it easily Canada's largest trade



partner in Central America and the Caribbean. Cuba has also been one of Canada's fastest-growing export markets in the Americas. Bilateral trade between the two countries grew by 162% from 1991 to 2001. While the economic slowdown in 2001 dampened Canada's export growth to most other countries, trade with Cuba continued to be strong. In 2001, exports to Cuba were 17.8% higher than in 2000.

Following the signing of the Canada-Costa Rica Free Trade Agreement in April 2001, Canada opened free trade negotiations later that year with El Salvador, Guatemala, Honduras and Nicaragua. These Central American Four (CA-4) countries are negotiating as a group, but not as part of a formal organization. Concluding these negotiations in 2002 is a market access priority for Canada.

**Table 1 — Canada's Top Trade Markets in Latin America and the Caribbean, excluding Mexico**  
(Bilateral trade, in \$millions)

|                     | 1991   | 1996   | 2001   |
|---------------------|--------|--------|--------|
| Brazil              | 1330.9 | 2562.1 | 2445.2 |
| Venezuela           | 928.6  | 1347.5 | 2143.6 |
| Chile               | 333.1  | 757.7  | 999.2  |
| Colombia            | 289.6  | 809.5  | 772.3  |
| Cuba                | 288.0  | 693.2  | 753.0  |
| Argentina           | 195.1  | 390.8  | 482.1  |
| Peru                | 148.4  | 301.8  | 441.7  |
| Jamaica             | 235.6  | 331.3  | 420.1  |
| Trinidad and Tobago | 101.4  | 133.1  | 370.4  |
| Ecuador             | 195.7  | 201.5  | 268.8  |
| Guatemala           | 62.8   | 170.7  | 262.9  |
| Costa Rica          | 109.7  | 197.2  | 249.7  |
| Guyana              | 45.3   | 215.9  | 217.8  |
| Dominican Republic  | 96.8   | 167.9  | 198.7  |
| Uruguay             | 33.9   | 59.8   | 158.0  |

Source: Statistics Canada, Library of Parliament

Current economic linkages between Canada and four countries in Central America (CA-4), namely Guatemala, Salvador, Honduras and Nicaragua, are relatively small, but have been growing quickly. Bilateral trade between Canada and the CA-4 was worth \$526 million in 2001, down from \$620 million a year earlier, but well above the \$200 million level of 1990. Guatemala is Canada's largest bilateral trading partner in the CA-4, accounting for half of the total in 2001. Trade between the two countries has risen from \$66 million in 1990 to \$263 million in 2001. Canada currently has little investment in the region.

## (b) Major Trading Products

Canada's major exports to Latin America and the Caribbean vary considerably from country to country (see Appendix A) and cover a wide range of goods. In general, Canada's largest export product is wheat, which at a value of \$672 million in 2001, accounts for close to 16% of its total exports to the region. Other major export commodities include newsprint and other paper products, chemicals, aircraft, motor vehicle parts, prepared foods, electrical products and machinery and related parts.

Imports into Canada are more heavily concentrated in commodity-based goods. Valued at over \$1.3 billion in 2001, Canada's largest import products that year were crude and refined oils, much of it from Venezuela. Raw minerals and mineral products, including gold, were also significant imports, along with coffee, raw sugar, clothing, fresh fruit and some motor vehicle products.

|                                       | 1991  | 1996  | 2001  | Growth: 1991-2001 |        |
|---------------------------------------|-------|-------|-------|-------------------|--------|
|                                       |       |       |       | \$millions        | %      |
| Wheat (incl. durum)                   | 412.4 | 856.7 | 671.6 | 259.2             | 62.9   |
| Newsprint                             | 214.0 | 381.1 | 390.4 | 176.4             | 82.4   |
| Motor vehicle body parts              | 157.0 | 223.7 | 310.9 | 153.9             | 98.0   |
| Potassium chloride                    | 54.1  | 177.9 | 239.3 | 185.2             | 342.3  |
| Bituminous coal                       | 89.7  | 103.4 | 123.8 | 34.2              | 38.1   |
| Electrical parts for telephones       | 40.4  | 136.9 | 95.9  | 55.6              | 137.8  |
| Iron ores and concentrates            | 2.9   | 0.0   | 70.9  | 68.0              | 2329.8 |
| Peas - dried and shelled              | 13.3  | 66.2  | 63.5  | 50.2              | 377.9  |
| Aircraft (>15,000 kg)                 | 0.0   | 0.0   | 56.5  | 56.5              | n/a    |
| Lentils - dried and shelled           | 21.4  | 53.5  | 55.4  | 34.1              | 159.7  |
| Sulphur                               | 0.0   | 77.8  | 53.7  | 53.7              | n/a    |
| Boring/sinking machinery parts        | 7.2   | 14.0  | 51.1  | 43.9              | 610.7  |
| Injection-moulding machines           | 1.0   | 11.2  | 37.6  | 36.7              | 3750.1 |
| Kraftliner paper - in rolls or sheets | 3.3   | 0.4   | 30.9  | 27.6              | 845.2  |
| Flight simulators and parts           | 0.0   | 0.0   | 27.0  | 27.0              | n/a    |

Source: Statistics Canada, Library of Parliament

## (c) Note On The Reliability of Trade Statistics

Over the course of its travels through South and Central America, the Sub-Committee encountered several instances where the information with which it was provided on trade and investment figures, in advance of the trip, was found to be dramatically different from that which was presented by government officials and business leaders within the region. For example, the Sub-Committee frequently heard countries raise concerns that they held large trade deficits with Canada, when Statistics Canada data showed precisely the opposite.

In many cases, the Sub-Committee was told that the differences were the result of the transshipment of goods through the United States en route to their final destination. However, there was no way of compensating for differences in measurement, definition and rules of origin across different data sources.

The Department of Foreign Affairs and International Trade acknowledges that merchandise trade statistics produced by countries frequently differ from those published by their trading partners and that these differences reflect legitimate conceptual differences, as well as possible errors. We recognise that data reconciliation is an ongoing challenge faced by statistical agencies. However, the Sub-Committee believes that discussions on the costs and benefits of trade liberalization, as well as meaningful analysis of the opportunities and challenges in international business is seriously compromised by the lack of reliable, consistent data. Canada is currently addressing this issue with Mexico, but more needs to be done to create a widely-accepted and trustworthy measure of Canada's trading relationship with other countries. We therefore recommend:

#### **Recommendation 4**

**That the federal government work in conjunction with other countries to harmonize statistical methodologies in the collection of international trade data.**

### **B. Increasing Formal Economic Linkages With The Americas**

Given the rapid growth in trade and investment between Canada and countries in South/Central America and the Caribbean, and considering the positive experience of increasing economic ties with Mexico, the Sub-Committee wholeheartedly supports further developing Canada's economic linkages with Latin America and the Caribbean. Expanding the range and number of bilateral agreements with the region can offer significant potential to Canadian investors, businesses and consumers.

#### **1. The Example Of NAFTA**

While acknowledging that no region of the world rivals Canada's trade relationship with its NAFTA partners, the Sub-Committee holds Canada's experience in the NAFTA as an example of the potential benefit, in terms of trade growth, to be gained from increasing economic ties with like-minded countries. Canadian exports to the U.S. and Mexico have grown by 134% since 1993, reaching \$354 billion by 2001. Imports have also nearly doubled since 1993, totalling \$231 billion in 2001.

The NAFTA, and the Canada-U.S. Free Trade Agreement before it, have had a remarkable effect on the Canadian economy. By increasing its export orientation, the

Canadian economy has enjoyed strong GDP growth and the creation of over 2.2 million jobs from 1993 to 2001. As a result of this healthy record of job creation, the national unemployment rate in 2000 fell to its lowest level in at least 25 years.

While Canada has clearly benefited from NAFTA, the Sub-Committee notes that the largest beneficiary to date has been Mexico. This result is not unexpected given that most market access concessions tend to favour developing countries. Goods commonly associated with developing countries tend to face much higher barriers to trade than those typically produced in the developed world.

Following the Mexican currency crisis in 1995, an influx of Canadian and U.S. FDI into Mexico has since contributed to tremendous growth in trade in that country, which in turn has played a role in the rapid growth of the Mexican economy. Real annual GDP growth in Mexico averaged 5.5% from 1995 to 2000, compared to 4.0% in Canada and 3.9% in the US.

### **(a) Ongoing Challenges**

In terms of boosting trade and investment flows across member countries, the NAFTA has been an unequivocal success. However, the tremendous growth in trade and the resulting integration of the North American economies has begun to create some challenges for businesses in the region. In essence, signs indicate that the NAFTA is becoming a victim of its own success. The volume of trade between Canada and the U.S. in particular, has exceeded the capacity of the existing border arrangement to handle the resulting traffic.

Calling attention to this issue, in his testimony of February 5, 2002, Michael Hart (Simon Reisman Chair in Trade Policy, Norman Paterson School of International Affairs, Carleton University) alerted the Standing Committee on Foreign Affairs and International Trade (SCFAIT) to a study he co-authored with his colleague Bill Dymond (Executive Director, Centre for Trade Policy and Law) that discusses the growing level of integration of the Canadian and U.S. economies and the resulting challenges. In this report, Hart and Dymond include a list of issues that would have to be addressed in order to create a more open, seamless border, one that more accurately reflects the reality of the economic relationship between Canada and the U.S.

The main issues highlighted in the study<sup>9</sup> were the following:

- On customs and border administration: More progress is needed to facilitate, streamline and potentially eliminate the need for routine customs clearance of people and goods.

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<sup>9</sup> Michael Hart and W. Dymond, *Common Borders, Shared Destinies: Canada, the United States and Deepening Integration*, Centre for Trade Policy and Law, Ottawa, 2001.

- On tariffs and related programs: Industries would benefit from the reduction and harmonization of Most Favoured Nation tariff levels in order to eliminate the need for programs such as rules of origin.
- On product and process standards and regulations: Progress can be made in developing common standards or greater acceptance of equivalence, mutual recognition, common testing protocols, etc.
- On services: Room exists to move beyond market access commitments towards greater reliance on common standards and mutual recognition. Sectoral discussions related to financial, transportation, telecommunications and professional services would also provide further scope for reducing discrimination and enhancing trade and investment opportunities and increasing healthy competition on a broader basis.
- On government procurement: Rules could be advanced to mandate all governments to purchase goods and services for their own use on a non-discriminatory, fully competitive basis across North American suppliers.
- On trade remedies: Rules on anti-dumping and countervail should evolve beyond WTO procedural safeguards to common rules about competition and subsidies, and reduce the scope for anti-competitive harassment and procedures.
- On competition policy: Efforts should be made to set out common goals and provide a basis for co-operative enforcement procedures.
- On investment: Provisions should move further towards enforcement by domestic courts of jointly-agreed rules of behaviour.
- On institutions: Governments may need to move beyond ad hoc inter-governmental arrangements (such as CUFTA and NAFTA) towards permanent supranational institutions.

The U.S. and Mexico account for over 98% of Canada's hemispheric two-way trade — 99% of exports and 97% of imports. Given the extent to which the U.S. and Mexico dominate Canada's trade portfolio in the Americas, the Sub-Committee believes that in pursuing further trade liberalization and economic integration across the hemisphere, the federal government should not lose sight of the critical role played by Canada's NAFTA partners.

As such, although the Sub-Committee is convinced of the value of pursuing greater trade liberalization with other countries in the Americas, it also recognises that impediments to trade with its NAFTA partners could have a significant economic cost for Canadians. The Sub-Committee therefore recommends:

## **Recommendation 5**

**That, given the relative importance of the United States and Mexican markets to Canadian business, the Government of Canada actively seek to remove existing impediments to trade and investment between Canada and its NAFTA partners. The government should ensure that its regulations and policies governing trade are appropriate to the level of economic integration that already exists between the three countries.**

### **(b) Building On NAFTA**

Over the past eight years, the NAFTA has demonstrated its effectiveness, not only in increasing trade and investment flows across member countries, but, as the case of Mexico shows, in promoting economic growth in developing countries as well. The Sub-Committee believes that, to the extent possible, Canada should continue to reflect on the positive experience of the NAFTA in any further negotiations on liberalizing its trade across the Americas.

However, the Sub-Committee also acknowledges that the NAFTA is not without its shortcomings. The Sub-Committee was reminded of these challenges during its travels and Ottawa hearings. While countries were eager to explore new bilateral ties with Canada, they also indicated an unwillingness to consider any agreement that included investment-protection provisions modelled after the NAFTA. In light of recent U.S. protectionist actions, they were also troubled by the use of anti-dumping and countervailing duty provisions.

The Sub-Committee heard concern expressed in Brazil that incorporating NAFTA-style investor-state provisions could have a considerable effect on the provision of government services in that country. Similar discomfort was voiced in Chile, where the Canada-Chile FTA already contains investor-state provisions modelled after the NAFTA. While visiting the country, the Sub-Committee was informed by government officials that Chile is seeking to renegotiate this element of the agreement. Furthermore, the Sub-Committee learned that Chile has made a similar request with regard to its FTA with Mexico and that it will explicitly avoid any such provisions in its current free trade negotiations with the U.S.

Recent U.S anti-dumping and countervailing duty actions on steel and softwood lumber imports also raised concerns about the appropriate use, or even the validity, of these trade remedies. In Brazil, the Sub-Committee heard a number of government officials and business groups express their opposition to these protectionist measures. Fearing that anti-dumping and countervail provisions could be used to limit access to U.S markets, several witnesses called for these remedies to be abolished or at least heavily modified in subsequent free trade agreements.

This view was echoed in Chile and Peru. In Chile, government officials told the Sub-Committee that dumping was illogical in a true free trade zone, because all countries are part of the same market. Furthermore, while Chile has been successful in the past in defending itself against anti-dumping charges, officials raised concerns that this was a costly, difficult and time-consuming process, one that was especially challenging for developing countries with limited resources.

A final NAFTA shortcoming to highlight was brought to the attention of Sub-Committee members by Robert Pilon (Executive Vice-President, Coalition for Cultural Diversity). He argued that while the cultural exemption contained in that agreement was acceptable, NAFTA also regrettably contained a reprisal clause that enables NAFTA members to respond to actions designed to protect cultural industries with measures of equivalent commercial effect. Mr. Pilon pointed to the bilateral free trade agreements with Chile and Costa Rica that embodied a true cultural exemption clause and were, therefore, wonderful models for future negotiations. He did note that it was the Government of Canada's intention to seek a cultural exemption based on that contained in the Canada-Chile Free Trade Agreement.

The Sub-Committee believes that Canada's ongoing pursuit of trade liberalization and economic integration with other countries in the Americas provides an opportunity for Canada to reinforce the positive aspects of its existing free trade agreements, particularly the NAFTA, while at the same time, providing an opportunity to improve upon some of the less successful aspects of those models, such as the provisions on investment protection and anti-dumping and countervailing duties. We recommend:

### **Recommendation 6**

**That, when negotiating future trade agreements, the federal government bear in mind the need to improve upon certain provisions of the NAFTA, such as those identified in the body of this report.**

## **2. Bilateral Agreements**

Increasing the number and scope of Canada's bilateral agreements in the region is an important step towards enhancing Canada's economic linkages with Latin America and the Caribbean. Although Canada's trade with the Americas is relatively small outside of the NAFTA countries, the Sub-Committee believes that Latin America and the Caribbean region hold enormous potential for Canadian trade and investment.

Countries with which Canada has signed bilateral trade and investment agreements were generally positive about the results. In addition, the Sub-Committee found that countries where formal bilateral ties were not as pronounced were typically very eager to improve these linkages.

### **(a) Double-Taxation Agreements And FIPAs**

The most basic step towards improving Canada's linkages into Latin America and the Caribbean is to create an enabling environment for foreign investment. Specifically, there are a number of countries in the Americas with whom Canada has not signed double-taxation agreements. Double-taxation agreements harmonize the tax policies in signatory countries to prevent businesses located in one country but with operations in the other from being taxed in both jurisdictions. By eliminating this obstacle to investment, Canada can make it easier for Canadian companies to pursue investment opportunities in the region.

Another step along the same path would be to expand Canada's list of countries with which it shares Foreign Investment Protection and Promotion Agreements (FIPA). While issues of investment protection are typically included in free trade agreements, the Sub-Committee believes that the expedient conclusion of current negotiations on double-taxation agreements and FIPAs will be of immediate benefit to Canadian businesses and help build momentum towards future trade liberalization agreements. We recommend:

#### **Recommendation 7**

**That, as a preliminary step in enhancing its bilateral relationship with countries in Latin America and the Caribbean, the Government of Canada accelerate its efforts to complete ongoing negotiations with individual countries on Foreign Investment Protection and Promotion Agreements (FIPA) and double-taxation agreements.**

### **(b) Ongoing Free Trade Negotiations**

While FIPAs and double-taxation agreements represent a step towards establishing tighter economic linkages into the Americas, Canada's ultimate goal in improving bilateral ties in Latin America and the Caribbean should be to establish a network of free trade agreements in the region. To that end, Canada has already signed FTAs with Chile and Costa Rica and is currently in negotiations with the CA-4 and the CARICOM group.

In general, the Sub-Committee found widespread support for its completed free trade agreements in Costa Rica and Chile. This support came not only from within governments and business groups, but also from labour unions and non-government organizations.

However, a small but vocal public resistance to these agreements is present as well. In Costa Rica in particular, political complications have delayed the ratification of



Canada's free trade agreement with that country. The concerns in Costa Rica centre around its small number of potato farmers who are concerned about the market access granted to Canadian producers of French fries and the implications for their industry. The Sub-Committee heard that this became a significant issue in the recent elections in Costa Rica and that as a result of the farmers' lobby and growing public concern, the political and economic leadership needed to ratify the agreement may not exist.

It was suggested that much of the opposition to trade agreements was the result of a lack of knowledge about the overall benefits of trade liberalization. Representatives from the Chamber of Industry in Costa Rica maintained that the resistance to the Canada-Costa Rica Free Trade Agreement was due to inadequate information in that country on Costa Rica's economic strengths. Similarly, there was little information about which domestic industries would be most likely to face damaging import competition and which would benefit from enhanced market access.

Despite this opposition, the Sub-Committee believes that Canada should continue to pursue its ongoing trade liberalization discussions and expand its bilateral presence in Latin America and the Caribbean. To that end, it applauds the negotiations currently underway with the CA-4 countries and the preliminary discussions with the CARICOM group. On a cautionary note, in seeking new bilateral trade deals in the region, Canada should actively promote awareness in those countries about the potential impact any negotiated agreements may have. In this way, misunderstandings or unwarranted fears can be assuaged. The Sub-Committee recommends:

### **Recommendation 8**

**That, in an effort to advance its goal of trade liberalization and economic integration in the Americas, the Government of Canada energetically pursue its ongoing bilateral free trade negotiations with the CA-4 countries and its preliminary discussions with the CARICOM group. In light of the political opposition in Costa Rica to the Canada-Costa Rica FTA, Canada should also make an effort to promote its trade accords within the participating countries to ensure that the public is well informed about the benefits of those agreements.**

#### **(c) New Free Trade Negotiations**

A key element of forging tighter economic linkages into Latin America and the Caribbean is pursuing new opportunities to promote liberalized trade. The Sub-Committee views South America as a market which presents extraordinary opportunities for Canadians and points to the fact that Chile is the only country on the continent with which Canada has signed a free trade agreement. The Sub-Committee feels that Canada should open the door for new bilateral negotiations with other South American countries.

Most countries in South America are members of either Mercosur or the Andean Community. Because of the Common External Tariffs in each of these groups, Canada is currently unable to negotiate an agreement with individual countries without those nations violating their existing regional commitments. As it stands today, for the purposes of negotiating free trade agreements, Canada would have to consider Mercosur and the Andean Community as individual entities and negotiate bilateral treaties accordingly.

The Andean Community in particular is open to the possibility of a trade deal with Canada. The Sub-Committee was reminded that Canada trades more with the Andean Community than with any other regional grouping in Latin America and the Caribbean. The Sub-Committee also heard that Colombia is actively seeking greater trade liberalization as part of its strategy to combat the drug trade. The view in that country is that the economic growth and job creation that comes from increased market access will provide an attractive alternative to income from drug production.

The Andean Community (especially Colombia) is eager for access to the Canadian market and the message of stability that a trade agreement would send to the rest of the world. It has lobbied Canada vigorously to begin formal negotiations on a preferential access agreement in which Canada provides unilateral market access concessions to the Andean countries. The Andean Community has, in the past, extracted certain market access concessions from the U.S. and Mexico.

From a development perspective, the Sub-Committee is supportive of unilateral concessions and special and differential treatment for developing countries. In fact, we registered this support in our recent report on the WTO. However, in the case of the Andean Community, it would prefer to see any such concessions tied to commitments to resolve a number of issues of ongoing concern to Canadian interests. In particular, Canada lacks Foreign Investment Protection Agreements (FIPAs) with Peru, Colombia and Bolivia and does not have double taxation agreements in force with any of the Andean countries, save Ecuador. As well, the Sub-Committee heard that Canadian businesses operating in Colombia face considerable regulatory challenges in that country, hampering investment and expansion of their enterprises. We recommend:

### **Recommendation 9**

**That, as a precursor to further bilateral trade liberalization within the Andean Community, the federal government agree to the organization's request for Preferential Market Access, but condition its response on the successful conclusion of negotiations on Foreign Investment Protection and Promotion Agreements and double-taxation agreements, as well as on the resolution of regulatory obstacles to Canadian investment.**

While the Sub-Committee supports unilateral market access concessions to the Andean Community, it believes that any such concessions should represent an interim step towards a negotiated bilateral free trade agreement where Canada also gains access to that region's consumer markets. Similarly, the Sub-Committee believes that Canada has unrealized benefits to be captured by reducing barriers to trade with the Mercosur countries.

However, economic and political instability in specific countries may complicate entrance into negotiations with either regional grouping. In the case of Mercosur, the collapse of Argentina's economy casts a shadow over the effectiveness of the group, even if long-term prospects appear bright to some.

The challenges facing Argentina are considerable. There is a need for significant political and economic restructuring within the country and for continued international support, particularly from Canada and the other G-8 countries, as well as from international financial institutions such as the International Monetary Fund and the World Bank. The Sub-Committee learned that Canadian businesses in the country are operating on a cash basis because of a lack of liquidity in the local economy.

With Argentina struggling to regain its economic footing, Brazil has become the major economic power in Mercosur. Brazilian officials suggested that in this context, Canada might consider entering into bilateral negotiations with Brazil alone and that Brazil's influence in Mercosur could bring the other three member countries into any agreement which might result.

Similarly, political uncertainties in Colombia and Venezuela add an element of uncertainty to any trade negotiations with the Andean Community. If difficulties in either the Andean Community or Mercosur are sufficient to imperil the cohesion of these regional groupings, Canada should be prepared to consider opening negotiations with individual countries. The Sub-Committee recommends:

#### **Recommendation 10**

**That Canada initiate bilateral free trade negotiations with the Andean Community and the Mercosur countries, or alternatively, interested countries within those regional groupings. With Brazil already having been identified by the Government of Canada as its priority South American market, considerable effort should be devoted to improving Canada's bilateral relationship with that country.**

### **C. Strengthening The Overall Relationship With The Americas**

The most significant way in which Canada can improve its economic linkages with Latin America and the Caribbean is to actively seek trade and investment agreements with that region. However, the Sub-Committee believes that the effectiveness of these formal treaties in improving economic and political interaction between Canada and other countries in the Americas could be augmented by a number of smaller, complementary initiatives.

In its travels through South America, the Sub-Committee frequently heard that Canada and its trading partners in Latin America and the Caribbean know very little about one another. Canadian business leaders in Peru observed that Latin America tends to be perceived as a large homogeneous region. In reality, considerable economic, social, political, and in the case of Brazil, linguistic, differences exist between countries. As an example of this uniform view of the region, Brazilian officials expressed concern that the current economic instability in Argentina, although a function of local conditions and domestic policy in that country, will have an adverse effect on Brazil because instability in one country in South America creates a perception of economic volatility in the entire region.

Canadian businesses operating in the region also stated that there was a lack of information to make potential investors aware of the opportunities in Latin America and the Caribbean. This viewpoint was also shared by a number of local government and business leaders. In Chile, for example, the Sub-Committee was told that one major aspect of the bilateral relations with Canada that could be improved upon was the exchange of information between the two countries. In particular, individuals in both countries need to be made aware of the business opportunities presented by the bilateral free trade agreement.

This type of exchange is imperative if trade and investment linkages between Canada and countries in the region are to be enhanced. It was suggested that the Government of Canada should use its resources, such as Industry Canada's Strategis web site, to provide more information about economic activity in Latin America and the Caribbean, particularly on investment opportunities and financing, which is often not available locally.

The fact that many Canadians and Canadian businesses are unaware of the opportunities in Latin America and the Caribbean may be partly due to Canada's economic ties with the U.S. Sharing a border with the world's largest economy has meant that frequently, Canadian businesses have had little need to look past the U.S. for export opportunities. Therefore, to gain full value from developing closer economic ties with other countries in the Americas, the Sub-Committee believes that the federal government has an important role to play in raising awareness of the commercial opportunities available across the hemisphere. We recommend:

### **Recommendation 11**

**That the federal government take measures to enhance its existing efforts to raise Canadian business awareness of commercial opportunities in the Americas. Additional funds should be allocated to assist the activities of Canada's foreign diplomatic posts in this area, and greater encouragement and support provided to Chambers of Commerce throughout the Hemisphere.**

The Sub-Committee was warmly received throughout its travels and was repeatedly told of the value placed by local government and business leaders on face-to-face contact between parliamentarians in opening communications, creating trust and building mutually beneficial relationships. The Sub-Committee believes that Canada should improve its existing political ties with the region. It points to mechanisms such as the Interparliamentary Forum of the Americas (FIPA) and the Parliamentary Confederation of the Americas (COPA) as forums where such exchange can take place. As a complement to improving economic ties with Latin America and the Caribbean, we recommend:

### **Recommendation 12**

**That the Parliament of Canada seek to establish closer parliamentary ties with the countries of the Americas.**

The Sub-Committee enjoyed service and support of an exceptional quality from Canadian Embassies and Consular Offices while travelling abroad. Not only were Canadian officials able to prepare full and relevant programs on relatively short notice, but they also provided invaluable background information on the issues and concerns that were likely to be raised at subsequent meetings.

However, the Sub-Committee was concerned by an apparent lack of co-ordination and communication between Embassies and Consular offices within a given country. Offices appeared to act independently of one another and while they never failed to provide exemplary services, there was no common strategy for all Canadian foreign service operations within a given country. We recommend:

### **Recommendation 13**

**That, in order to create a more integrated and efficient presence abroad, the Government of Canada ensure that greater co-ordination and communication be introduced between Canadian Embassies and Consular Offices abroad. Within each country, a single foreign-service strategy and explicit organizational structure should be developed.**

Brazilian officials suggested to the Sub-Committee that one way in which Canada could enhance its visibility in Latin America would be to improve upon the level of public exposure it generates during Parliamentary visits to the region. Awareness of Canada, Canadian trade initiatives and related opportunities would be greatly improved by increasing the level of media visibility.

Canada's foreign service offices have an important role to play in enhancing awareness of Canada and Canadian trade policy initiatives. Embassies and consular offices are already involved in local media relations, but the Sub-Committee believes that assigning dedicated media contacts to Canada's foreign bureaus, could further increase the local awareness and support for its trade initiatives. We recommend:

#### **Recommendation 14**

**That, in order to assist with the communication and dissemination of information with regard to Canada's trade-related initiatives, designated media contacts be established in Canadian embassies, particularly in those countries displaying considerable Canadian trade interests.**

## ACHIEVING AN FTAA

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Without a doubt, a successful negotiation of the FTAA would represent a major accomplishment. As the former Costa Rican Minister of Foreign Trade reminded the Sub-Committee, it is an ambitious project that would form the largest free trade area in the world.

The FTAA is also an integral component of the Summit of the Americas (SOA) process that links economic growth to social development in raising standards of living, improving working conditions and better protecting the environment throughout the Americas. As such, the trade initiative serves to reinforce the Summit's broader objectives.

The concept of a free-trade area encompassing the Americas was first proposed in 1990 by then U.S. president George Bush Sr. as the Enterprise for the Americas Initiative (1990). It came on the heels of the signing of the Canada-U.S. Free Trade Agreement (FTA) and the beginning of negotiations on what would become NAFTA.

The idea was revived as the FTAA at the first modern-day Summit of the Americas, held in Miami, U.S., in 1994. The Heads of State and Government of 34 countries of the Western Hemisphere discussed the advancement of economic prosperity, democracy and development in the Americas. At that Summit, all countries agreed to conclude an FTAA by 2005. It was later proposed that the deadline be moved up to 2003, which Canada along with several other countries supported, but this suggestion was not adopted. Formal FTAA negotiations were launched at the 1998 Santiago Summit. The current timetable is to conclude the negotiations by January 2005 and implement the FTAA by December 2005.

The Sub-Committee essentially heard two views on the 2005 deadline. The first was that it was an overly ambitious target that would not be met owing to a host of current obstacles. The other was that while 2005 was an ambitious deadline, it could be overcome if the negotiations proceeded well. We heard that indeed, these negotiations were going well and that progress was being made.

While there may be some disagreement as to the likelihood of a successful launch by the targeted date, what is clear is that the negotiations have now begun to address the critical market access issues (e.g., tariff reductions, non-tariff barriers/technical barriers to trade, rules of origin) that form the core of the FTAA negotiations. Much of the success of the negotiations will depend on a successful resolution of these issues.

When it comes to market access, there is likely no more sensitive issue than agriculture. During the Sub-Committee's fact-finding mission, witnesses spoke of the need to open up agricultural markets in North America. Often the barriers are technical in

nature. In Colombia, the Vice-Minister of Foreign Trade stressed the importance of addressing market access issues in agriculture during the FTAA negotiations. Waiting for the WTO to find solutions, she argued, would take too long.

An FTAA would address both tariffs and non-tariff barriers (e.g., charges or fees on imports), as well as other issues such as rules of origin and technical barriers to trade. Canada has already made public its positions on: market access; agriculture; investment; services (Canada has committed to protecting health, public education, social services, and culture); government procurement; intellectual property rights; competition policy; subsidies, antidumping and countervailing duties; dispute settlement (building on the World Trade Organization's process and NAFTA Chapter 20); civil society participation; smaller economies; and e-commerce (see [http://www.dfait-maeci.gc.ca/tna-nac/ftaa\\_new\\_archives-e.asp](http://www.dfait-maeci.gc.ca/tna-nac/ftaa_new_archives-e.asp))

## **A. FTAA Benefits**

The Western Hemisphere has slightly less than 15% of the world's population, but conducts more than 35% of the world's measured economic activity. With a population of over 800 million people and a combined Gross Domestic Product of over US\$11 trillion, the Americas is by far the largest and most productive economic region of the world, surpassing the European Union (EU), the second-leading region, by more than US\$3 trillion.

It is well known that Canada's main trading partner is the United States, which takes 87% of our total exports to the world. Add in the other hemispheric countries with which Canada has a free-trade agreement (Mexico, Costa Rica and Chile) and one can account for 98% of our hemispheric trade. On the surface then, it would not appear that there is a need to embark on another hemispheric trade initiative. However, there are a number of important reasons for Canada to sign on to an FTAA.

First, the direct trade and investment benefits are still worth exploring. The *raison d'être* of all free trade agreements is to increase the size of the economic pie — to improve prosperity and well-being. Firms in export-oriented sectors of the economy are not the only ones to benefit from trade liberalization. On the import side of the trade equation, the gains from trade include the increased competitiveness of companies importing products and services as an input to their manufacturing processes and the greater satisfaction accruing to Canadian consumers from imports of consumer goods and services from abroad. Free trade should lower the price of many of these imports.

Even excluding Canada's NAFTA partners, the Latin American and Caribbean region was a \$4.2 billion export market for Canadian goods in 2001. It represented roughly 8.7% of our total merchandise exports to non-NAFTA countries. As well, the region displays significant long-term potential as a market for Canadian goods and services. It has a total population of around 500 million and GDP of US\$2 trillion.



Second, an important benefit of an FTAA for Canada is to open and secure market access for Canadian exporters through the elimination of tariffs. While a full 94% of current imports from FTAA countries enter Canada duty-free, some sectors in Canada (e.g., paper products, technology products, auto parts and potash) face significant tariffs (up to 30%) in the region. Current, average import tariffs in Latin America, at 12%, are high. Elimination of tariffs on all products, with limited exceptions and phased out over no more than ten years, would be helpful to boost exports and lower Canada's overall trade deficit with the region.

Third, Canada continues to be a major investor in South America, especially in the natural resources and telecommunications sectors, and in the Caribbean. Canadian foreign direct investment (FDI) in the Americas reached an estimated \$268 billion in 2001. While the main destination for Canadian FDI between 1989 and 1999 was the United States, Canadian FDI in non-NAFTA western hemisphere countries during that period rose from \$7.0 billion to nearly \$66 billion, significantly outpacing the growth of Canadian direct investment in the United States.<sup>10</sup>

Given that Canada has a strong outward investment orientation in the Americas beyond NAFTA, it is not surprising that this country would have a strong interest in seeking a rules-based, secure and predictable environment for investors and their investments in the hemisphere. The FTAA could provide that environment. Ideally, the commitments on investment would, with possible exceptions, reflect those already found in existing sub-regional and bilateral agreements. Ultimately, the principal objective is to achieve non-discriminatory treatment of Canadian investment and businesses operating throughout Latin America.

Fourth, the FTAA also provides an opportunity to extend the frontiers of trade agreements (e.g., streamlining customs procedures to clarify the rules and simplify transactions for producers and traders, competition policy, opening government procurement markets). Ideally, the agreement would also include such useful elements as clear and predictable rules of origin that ensure that the benefits of the agreement accrued to goods produced in the hemisphere, as well as progress on non-tariff barriers and technical barriers to trade such as standards and phytosanitary measures. The FTAA could even serve as an important regional stimulus to negotiations currently underway at the World Trade Organization. Progress in all of these areas is critical for an open economy such as that of Canada.

There are also geopolitical benefits associated with closer hemispheric ties, in that Canada's interest in the Americas goes beyond trade. None are more important than ensuring peace and political stability in the region.

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<sup>10</sup> On the incoming side, about 70% of foreign direct investment in Canada comes from the Americas, of which the lion's share (over 95%) comes from the U.S. In 1999, the stock of inward FDI in Canada originating in non-NAFTA countries totalled only \$3 billion.

The countries of the Caribbean, Central America and South America also have much to gain from a hemispheric free trade deal. Enhanced access to the large North American and Brazilian markets that an FTAA would bring about is of paramount importance. On this point, Donald Mackay (Special Adviser, Canadian Foundation for the Americas) informed the Sub-Committee that achieving preferential access to the large U.S. market is a huge incentive for countries of the Americas to remain active in the FTAA negotiations. There is no doubt that the FTAA would increase trade, investment and economic growth throughout the region.

An FTAA would also provide smaller countries of the Americas with the rules and dispute-settlement mechanisms that they need to confidently do business with their trade and investment partners, thereby ensuring economic stability. Even nations as open to the world as Chile would like to see progress made in certain key issues such as investment and services. Success at the hemispheric level would ultimately also free up valuable trade policy resources consumed by economic relationships at the bilateral level.

A final and perhaps less well-known observation is that many of the developing countries would stand to benefit internally from entry into an FTAA. For example, the former Costa Rican Minister of Foreign Trade informed the Sub-Committee that free trade agreements can bring about the institutional changes (e.g., tax reform, proper application of the rule of law) that are often required to modernize an economy. In Argentina, a Sub-Committee member observed that if that country (and others within the Hemisphere) stands still on the FTAA and/or bilateral agreements, then it could turn inward-looking, nationalize the economy and neglect to make badly required economic and political changes.

## **B. FTAA Obstacles And Issues**

The Sub-Committee heard repeatedly in its travels throughout Latin America that the completion of an FTAA is far from a *fait accompli*. Most witnesses were pessimistic about the ability of the negotiators to meet the 2005 deadline. Despite this, the Sub-Committee remains convinced of the merits of free trade in general and the FTAA in particular.

While there exist many obstacles to the successful negotiation of a treaty — these are identified below along with a number of recommended solutions — much of the current FTAA uncertainty lies with the U.S. tendency to resort to protectionist measures and trade remedy laws, and the attitude of other countries (especially Brazil) to those market-limiting moves. It is most unfortunate that the previous optimism surrounding the FTAA appears to have been shattered by U.S. protectionism.

## **1. U.S. Protectionism**

Throughout Latin America, individuals expressed their concerns about the U.S. attitude towards free trade. Mention was made of the “obscene” U.S. Farm Bill that has now been signed into law by President Bush and the “foolish” U.S. decision on steel. Regarding the former, a total of approximately US\$180 billion in new farm spending is anticipated over the next decade — an increase of nearly 80% over the cost of continuing existing programs. The new legislation also imposes country-of-labelling requirements on products sold in the U.S., to be mandatory by September 30, 2004. On steel, President Bush authorized the placement of duties on imported steel under Section 201 of the Trade Act of 1974.

In Colombia and Peru, witnesses called for greater American leadership in global trade issues and a more coherent approach to U.S. trade policy. In Chile, the head of the Canada-Chile Chamber of Commerce decried the strength of American corporate interests and their influence on the U.S. Congress.

The Sub-Committee heard, on several occasions, about the active involvement of the U.S. negotiators in the official discussions over the FTAA. The Colombian Vice-Minister of Foreign Trade reminded the Sub-Committee of the U.S. Administration’s continued strong support of the FTAA. This commitment, however, does not square with recent moves to protect its domestic industries from foreign competition. As a Canadian businessman in Sao Paulo aptly put it, if the U.S. really wishes to have an FTAA they are certainly going about it in a strange manner. Considerable political will must be demonstrated by the U.S. for a truly successful FTAA to be achieved.

## **2. The Need For U.S. Fast-Track (Trade Promotion) Authority**

Throughout his eight years in office, U.S. President Bill Clinton was unable to obtain the much desired “fast-track” authority from Congress. This authority allows the President to negotiate trade deals, which are then put to a simple yes or no vote.

For his part, President George W. Bush has indicated that obtaining fast-track authority (since renamed trade promotion authority or TPA) is a priority for his administration. However, it appears increasingly unlikely that he will obtain the clean TPA that he would prefer. While the U.S. House of Representatives has already passed TPA legislation, it may be required to vote again. That is because the Senate has approved its own version of the bill, in the process making several changes to the House legislation. A conference between the Senate and the House is set to occur to hammer out compromise legislation.

The trouble is that the Senate version of trade promotion authority, while having the positive benefit of renewing the Andean Trade Preferences Act that was in place for eleven years, also enables senators to tinker with the FTAA and other major free trade

arrangements after they have already been negotiated. More precisely, the Dayton-Craig amendment that has been added to the Trade Promotion Authority bill sought by the U.S. Administration, would give the Senate the right to review clauses in an agreement that would change any part of the collection of existing U.S. trade remedy laws (e.g., anti-dumping, countervailing measures, safeguards). For his part, President Bush has indicated that he would veto the bill if the amendment survives negotiations with the House of Representatives.

All of this is to say that it is not yet entirely clear what the future of TPA holds. Yet this feature of U.S. trade policy is important, given that countries may be reluctant to deal with the Americans if it was possible that Congress could revise an already agreed-upon treaty. While it may be technically true that the TPA is really only required for the conclusion of the FTAA negotiations, achieving the TPA is key to maintaining the momentum of the FTAA process. The world is waiting to see if Congress approves TPA and what form the final TPA will take (e.g., what conditions related to agriculture, textiles, trade remedies, labour and environment will be included). As Claude Carrière (Director General, Trade Policy I, Department of Foreign Affairs and International Trade) informed the Sub-Committee, concerns have already been expressed by a number of countries about these conditions in both the Senate and House versions of the legislation, particularly dealing with agriculture (e.g., barriers contained in the House bill on agricultural products, notably orange juice, and textiles), trade remedies, labour and environment.

### **3. Brazil's Desire For An FTAA**

Brazil's economy, almost the size of China's, accounts for one-third of Latin America's economic output and is an anchor of stability in the region. It represents one-half of the new market that an FTAA would open for Canada, and three-quarters if one adds its Mercosur partners. It is self-evident, therefore, that a hemispheric free trade grouping without Brazil would lack credibility.

Up until recently, Brazil's preferred FTAA strategy appears to have been to first consolidate a bloc within South America through its leading role in Mercosur and then negotiate a trade agreement on a more equal level.<sup>11</sup> With the recent collapse of the Argentinian economy, however, this strategy may have now run its course.

While Brazil has been very much involved in the FTAA negotiations, especially in the areas of market access and agriculture, it continues to be unclear whether it will sign onto a deal. In Brazil, the Sub-Committee found that FTAA negotiations were viewed primarily as bilateral discussions between itself and the U.S., with all other countries

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<sup>11</sup> "Getting Over The Jet-Lag": *Canada-Brazil Relations 2001*, Canadian Foundation for the Americas, Policy Paper FPP-01-3, p. 5.

“hanging around the edges.” However, Brazil is skeptical that the U.S. will deliver meaningful market access and tariff reduction.

Many in Brazil see the current negotiations as a one-sided affair, with Brazil seeking substantial access to the very sectors of the U.S. economy (e.g., agricultural sector) that the U.S. is attempting to protect. As it stands now, whereas the average U.S. tariff is a mere 3%, the average tariff on the top 15 Brazilian exports to the U.S. totals 44%. In addition, the Brazilians are opposed to recent U.S. farm policy and the anti-dumping procedures that protect, for example, U.S. steelmakers. The Americans, however, are unwilling to negotiate changes in these areas, arguing that such discussions should take place at the WTO level. As a result, said a Brazilian academic, public opinion in Brazil now seems to view the FTAA as benefiting the U.S. in that Americans will gain greater access to Brazil’s market but not vice versa.

We heard that the Brazilians remain fearful of U.S. competition and are reluctant to concentrate their geographical trade patterns in the Americas.<sup>12</sup> As a Chilean Senator told us, Brazil simply doesn’t feel that its economy is at the point where it can effectively compete with other countries. This goes a long way to explaining the country’s lukewarm attitude towards the FTAA.

Another difficulty is that the Brazilian government would have to deal with the concerns of powerful domestic industrial lobbies prior to reaching a deal. Brazil’s economy is highly protected, with import tariffs averaging almost 15%. Even higher tariff levels and restrictions protect large industries such as automobiles, chemicals, pharmaceuticals and computers.

Yet another issue is that of sovereignty. We heard on several occasions that Brazil saw itself as the United States of South America and, as such, was unwilling to trade off too much sovereignty for the benefits that an FTAA can bring. Many in the Brazilian legislature fear that a hemispheric free trade agreement would erode national sovereignty and result in too much American control over foreign policy and domestic decision-making.

In the end, most witnesses in Brazil noted that that country would sign onto an agreement if the deal was good for Brazil. It is generally accepted that if issues such as market access for agricultural products (e.g., the removal of phytosanitary controls on orange juice) and the tightening of the use of antidumping measures (i.e., steel) were addressed in the FTAA agreement, then the Brazilians would be prepared to be flexible. The deal may not be available for signature by 2005, noted a leading industry group in Sao Paulo, but that should not be of major concern.

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<sup>12</sup> In fact, they seem to be currently fixated on the Europeans.

#### **4. Economic And Political Instability In The Region**

There is no question that certain countries in South America are currently exhibiting a significant degree of economic and/or political turbulence. Argentina is in the midst of yet another difficult financial crisis, and Colombia and Venezuela have displayed considerable political instability.

Peruvian union representatives pointed out that all of this instability is causing tremendous uncertainty. However, the Sub-Committee refuses to believe that the current turbulence in Latin America will be enough of a factor to block the FTAA from being realized. It may delay the deal beyond 2005, but it will not deny it.

#### **5. The Difficulty Of Reaching Agreement Between 34 Different Nations**

On the surface, one would think that the purely technical aspects of dealing with a host of complex issues among 34 countries of vastly different size and sophistication, virtually all linked one way or another by a maze of sub-regional arrangements, would represent a sizeable challenge. However, as the Colombian Vice-Minister of Foreign Trade informed the Sub-Committee, the FTAA negotiations are really occurring between five major groups and a small number of individual countries (NAFTA, Mercosur, Andean Community, CARICOM, Central American Common Market, Chile, Dominican Republic and Panama).

Another good sign is that the North-South divide that some feared would materialize has not. Chilean government officials informed the Sub-Committee that where alliances have formed, they have usually done so with respect to certain negotiating issues.

Certainly, much of the success of the FTAA will depend on the individual negotiating groups themselves. Largely through the regional groupings identified above, all countries have been involved in the negotiations and all of these have invested considerable time. Whether the FTAA process ultimately proves to be successful will, of course, come down to the important trade-offs that countries will be asked to make.

#### **6. Concerns Of Small Economies**

Smaller economies represent three-quarters (26 out of 34) of the FTAA negotiating countries. It is not surprising that one of the central preoccupations in the FTAA negotiations has been the integration of the concerns of smaller economies into the negotiating process. As Andean Community officials observed in Peru, the FTAA has to overcome certain obstacles such as the different levels of income in Latin American countries. Mechanisms to respond to the different development needs of poorer countries need to be established.

In the short term, the smaller countries are finding it difficult to drum up the resources to undertake negotiations on the FTAA as well as on the bilateral and multilateral (i.e., WTO) fronts. Peru's Vice-Minister of Integration noted, in particular, the lack of human resources in his country to deal with these negotiations. For her part, the Colombian Vice-Minister of Foreign Trade was quite appreciative of the offer of assistance with the FTAA negotiations that Canada made to Colombia.

A second point to note is that many developing countries are wary about entering into an agreement that could overwhelm their fragile economies. One of the key issues is how can these countries best develop their own taxation systems as a replacement for tariffs. For many of these countries, to move from a tariff-based economy to the development of an income tax system represents a difficult challenge.

The introduction of more gradual tariff reduction schedules has been viewed as a key option for offering special treatment of small economies. While Canada continues to be of the view that all FTAA signatories must assume the same rights and obligations, it does support the inclusion of measures in the agreement to ease the transition of smaller economies, provided they are specific and time-limited. Indeed, FTAA negotiators reached agreement (in September 2001) on guidelines for considering, on a case-by-case basis, special treatment based on differences in levels of development or size of economies. These guidelines would be used by individual FTAA negotiating groups to evaluate proposals from individual countries requesting special treatment. The Sub-Committee is of the view that special considerations should be built right into the FTAA.

It is also critically important to help these countries' capacity-building efforts. Many of the small countries that comprise the majority of states in the Americas lack the technical expertise to implement a trade deal. Several countries could find it difficult to implement the treaty without some form of assistance.

In Costa Rica, the Sub-Committee was told by that country's former Minister of Foreign Trade that capacity building (both in the public and private sectors) and human development are key to pushing forward the trade liberalization agenda. Capacity building, he argued, helps society deal with challenges and reap the benefits of market openings that trade liberalization produces. This having been said, countries need to be persuaded that capacity building is a continual process. The need for capacity building was reinforced by a Brazilian union official, who advocated the introduction of greater technology and vocational training as well as the establishment of a national adjustment strategy to cope with the effects of free trade.

The Sub-Committee also heard that Canada has historically had the interests of the smaller economies in mind. Through the Canadian International Development Agency (CIDA), Canada is responding to the desire by smaller economies to participate in the FTAA process and in bilateral trade negotiations with Canada by providing technical assistance programming designed to build capacity for trade, investment and financial

stability. To that end, we are providing significant trade-related technical assistance funding to Caribbean and Central American countries, which together account for the vast majority of the smaller economies of the Americas. In April 2001, Canada announced new funding of \$18 million in this area, with \$13 million destined for the Eastern Caribbean Economic Management Program and up to \$5 million for trade-related technical assistance projects in Central America.

Stephen Free (Director General, Americas Branch, Canadian International Development Agency) informed the Sub-Committee that the aid agency currently provides a total of roughly \$120 million in bilateral assistance to Latin American and Caribbean countries. That figure rises to approximately \$200 million if one adds the support that is given to non-governmental organizations or is channelled through the international financial institutions.

Finally, Canada is also supporting the efforts of the Inter-American Development Bank (IDB) and the World Bank in assisting future FTAA members to integrate more successfully in the global economy. Mr. Free noted that, over the course of the next four to five years, the IDB plans to allocate between \$40 and \$45 billion in funding to the Latin American and Caribbean region. This financing would be available to address countries' economic and social concerns whether FTAA-related or not.

Notwithstanding these desirable initiatives, we are of the view that the more advanced countries of the Americas could do even more to support capacity building efforts, both bilaterally and through regional funding institutions such as the Inter-American Development Bank. For example, it was pointed out to a Sub-Committee member by the President of the Canada-Argentina Chamber of Commerce that Canada needed to have a capacity-building "presence on the ground" in such areas as political restructuring, education (e.g. through a more aggressive student exchange program) and social programs such as health care and employment insurance. The Sub-Committee recommends:

#### **Recommendation 15**

**That Canada provide the smaller economies of the Americas with greater financial and technical resources to help build the capacity necessary for these countries to negotiate, adapt to and benefit from the FTAA. Technical assistance in the development of vocational training and literacy programs, and national strategies and programs to deal with the adjustment to free trade should be provided.**

#### **Recommendation 16**

**That the federal government support the inclusion into the FTAA of special measures that would provide developing countries**



**participating in the FTAA with a flexible time frame for implementing the terms of the agreement.**

#### **Recommendation 17**

**That Canada encourage other participating members of the Inter-American Development Bank to strengthen the mandate of that institution and its contribution to addressing the development requirements of countries in the Americas, as outlined in the Plan of Action of the Third Summit of the Americas.<sup>13</sup>**

### **7. The Launch Of A New WTO Round**

With the launch of a new WTO round having occurred at Doha in November 2001, which option (FTAA or WTO) will attract priority among the countries of the western hemisphere? Which of the two will promise the opportunity to achieve more in terms of a greater degree of liberalization, greater security of market access, the elimination of trade and investment subsidies, and non-discriminatory treatment of investment?

The fear is that the negotiations at the multilateral level could make countries reluctant to conduct substantial FTAA negotiations until the shape of WTO negotiations becomes clear. Countries such as Brazil and the United States, for example, might wait to see if they can get a better deal at the WTO.

There may be some merit to this fear. Colombia's Vice-Minister of Foreign Trade indicated her disappointment that both the Canadian and Mexican negotiators had recently revealed a preference to have market access issues for agricultural products dealt within the ambit of the WTO negotiations. She felt that much could already be accomplished within the upcoming market access negotiations of the FTAA. This point of view was shared by William Miner (Senior Associate, Centre for Trade Policy and Law, Carleton University). He stated that FTAA negotiations could make valuable progress on access for most processed agricultural products. However, on the question of export subsidies and domestic support, he observed that real progress would have to await the conclusion of the WTO negotiations.

For the Sub-Committee's part, we share Donald Mackay's opinion that negotiation on key trade liberalization issues should be addressed at both venues. Moreover, we support the views of the Brazilian academic that we met in Sao Paulo, Bill Dymond and Pierre Laliberté (Senior Economist, Canadian Labour Congress), who told us that the FTAA had to be WTO-plus for any advantages to accrue from entering into a regional trade agreement.

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<sup>13</sup> Plan of Action available at [www.oas.org/juridico/english/programs.html](http://www.oas.org/juridico/english/programs.html).

## **8. Transparency And Civil Society Participation**

The Government of Canada takes the issue of transparency seriously, so much so that Claude Carrière considers it to be “the champion” of this area. In February 2001 it put forward proposals to the FTAA parties to strengthen civil-society participation in the FTAA. These include: issuing regular updates, hosting regular public meetings throughout the hemisphere on FTAA negotiating issues, making FTAA documentation available where possible, and forwarding civil-society submissions to relevant groups, committees and institutions.

However, arguably the most effective way to eliminate the claim that trade negotiations are shrouded in secrecy with only the interests of the major international firms taken into account, was the decision to make the FTAA negotiating texts public. The release of the text was viewed by the Canadian government as a radical step toward greater transparency in trade negotiations. An effort has also been made to expand the trade agenda to include more issues, thereby taking into account public concerns.

The Sub-Committee heard throughout its fact-finding mission to Latin America of the need for civil society there to participate in FTAA decision-making. In Costa Rica, Canada was urged to demonstrate how public participation could be incorporated into the political process. In Chile, NGOs complained that they were still being shut out of the FTAA negotiations and that they were lacking in trade-related information and training, particularly in terms of monitoring the impact of trade agreements on compliance with worker rights and labour standards. The story was much the same in Peru and Brazil, with union representatives there bemoaning the lack of participation in FTAA decision-making.

The Sub-Committee is of the opinion that Canada can be a role model in this area. We recommend:

### **Recommendation 18**

**That, in order to further enhance transparency of free trade negotiations as well as civil society participation, the Government of Canada actively encourage governments within the Americas to consult widely with their populations and civil society during the FTAA negotiating process; to render public FTAA negotiating texts; to encourage the activities of non-governmental organizations within their respective countries; and to help initiate a dialogue between business and non-governmental organizations on free trade issues.**

## 9. Public Opinion

Public opinion in both the U.S. and Latin America continues to be somewhat divided on the virtues of a hemispheric trade bloc. U.S. labour unions and anti-globalization activists have argued that an FTAA would lead to the export of jobs by producing an outflow of U.S. capital in pursuit of the much lower wages and weaker safety and environmental standards that exist throughout Latin America. There is also concern that participation in an FTAA would mean more involvement (e.g., foreign aid, financial bailouts) in the instabilities and economic turmoil of many of its southern neighbours.

In Latin America, public opinion is focused on entirely different issues. More specifically, the Sub-Committee heard of two major concerns: the lack of adequate education on, and information about, free trade and the FTAA; and the desire for free trade to address the development needs of individual countries and reduce the income inequality of citizens.

Throughout our fact-finding mission, witnesses stressed the importance of educating the public about the benefits of free trade so as to mobilize the broad-based support required for trade liberalization initiatives. In Costa Rica, the national importers group noted the need for such education by that country's youth. In Peru, that country's Vice-Minister of Integration suggested that the general population still held the view that free trade is of benefit only to rich countries and to the richer segments of Peruvian society. He thought Canada was well positioned to take a leadership role on an information campaign. The Canadian business communities in both Peru and Brazil called for Canadian experts on international trade to teach the citizens of these two countries how trade liberalization in the form of an FTAA could benefit South Americans. This education campaign should, in no way, involve any partnership arrangement with the United States.

Regarding concerns about the link between trade and development, public opposition to hemispheric free trade could grow even further if the region's poverty levels and income inequality do not decline. Income inequality continues to be a major problem in the Americas and expectations have been placed on the ability of free trade to translate directly into improved living standards for all. The former Costa Rican Minister of Foreign Trade argued that the focus of governments and trade agreements should be on development and not simply on trade matters. Chilean NGOs, Peruvian union representatives and the Canadian business community in Colombia held a very similar position, noting that development and satisfying the needs of society had to be integral components of trade. The Peruvian Vice-Minister of Integration commented on the need to reduce income disparities through free trade and economic growth, and that the FTAA would be a helpful tool in this regard. Finally, a Brazilian NGO stressed the importance of linking discussions on the FTAA and free trade with domestic policies.

The Sub-Committee is convinced of the urgent need to deal with both the education and development concerns identified above and notes that Canada could play a valuable role in addressing these important challenges. However, as Claude Carrière informed the Sub-Committee, while there may be a pressing need for social programs in Latin America and the Caribbean, solutions would not flow directly out of a trade agreement. The process would be a more indirect one, with national governments in the best position to use the benefits from free trade to actively address their income inequality concerns. On that point, Canada could be useful in a supportive role. The Sub-Committee recommends:

#### **Recommendation 19**

**That Canada spearhead the development of a hemispheric education and awareness campaign on the merits of free trade in general, and the FTAA in particular. Consideration should be given to the use, within such a campaign, of Canadian trade experts, as well as to an enhanced employment of embassy and foreign Chamber of Commerce resources.**

#### **Recommendation 20**

**That the Government of Canada encourage the use by FTAA participants of the benefits of free trade agreements to address income inequality concerns.**

### **10. Investment**

The NAFTA is an agreement that has generally served Canada well. However, specific elements of Chapter 11 have raised some issues that needed to be addressed. Minister of International Trade Pierre Pettigrew has indicated that certain provisions contained in that chapter needed to be clarified and that greater transparency in the application of these investor-state provisions needed to be achieved. Indeed, the Government of Canada is pursuing its work with its NAFTA partners to clarify the relevant key substantive and procedural provisions. In the negotiation of future trade agreements such as the FTAA, it will likely be guided by past experience with the negotiation and implementation of investment rules with other countries, including the litigation under NAFTA's Chapter 11.

During its travels to Latin America, the Sub-Committee heard from the Colombian Vice-Minister for Multilateral Issues that an investment agreement within the FTAA would bring safety to investments. We would certainly support that view.

Other witnesses expressed concern about the use of NAFTA-type investor-state provisions in trade agreements and their effects on nations' sovereignty, particularly in

terms of governments' regulatory power and the provision of public services. Even if several of the Sub-Committee's witnesses during the Ottawa segment of the hearings appeared to be supportive of existing investor-state provisions, the Sub-Committee shares many of the above sovereignty concerns and recommends:

### **Recommendation 21**

**That the Government of Canada diligently strive to attain FTAA consensus on the importance of achieving a comprehensive agreement to protect investment within the FTAA. NAFTA type investor-state provisions should be excluded from the FTAA agreement.**

## **11. Labour And Environmental Standards**

The question of how to address labour and environmental standards in the context of the FTAA needs to be resolved. Some labour and environmental interest groups advocate incorporating international environmental and labour standards directly into trade agreements, so that they too would be enforceable. Both in Chile and in Brazil, NGOs told the Sub-Committee that the FTAA should include environmental and labour provisions in the agreement.

Developing-country leaders, in contrast, are not opposed to cooperating on a labour and environment agenda complementing trade negotiations, but are reluctant to link these issues directly to the trade agreement. They fear that doing so would restrain trade and investment, and thus economic growth. Linking the enforcement of international labour standards to trade agreements is perceived by developing countries to be back-door protectionism and is therefore resisted. Senior government officials in Chile informed the Sub-Committee that the labour and environmental side accords, considered by them to be international treaties with the same legal weight as the trade agreement, have worked exceedingly well. Canadian business also would not want to see labour and environmental standards used as barriers to trade and investment.

After a careful assessment of the competing arguments, the Sub-Committee has concluded that the approach advocated in its May 2002 report on the World Trade Organization also has application for the FTAA. In the WTO report, we supported the introduction of conditionality at the WTO to deny countries violating democratic and labour rights the benefits of liberalized trade. With respect to the FTAA, the Sub-Committee therefore recommends:

### **Recommendation 22**

**That Canada promote the injection of clauses within the FTAA Agreement that would tie countries' access to the benefits from FTAA membership to proven respect for democratic rights.**

## **12. Culture**

The Sub-Committee wishes to reiterate the concerns expressed in its May 2002 report on the WTO (*Building an Effective New Round of WTO Negotiations: Key Issues for Canada*) that cultural diversity in Canada be protected through a new international instrument on culture prior to the negotiation of any comprehensive trade agreement. The Sub-Committee therefore recommends:

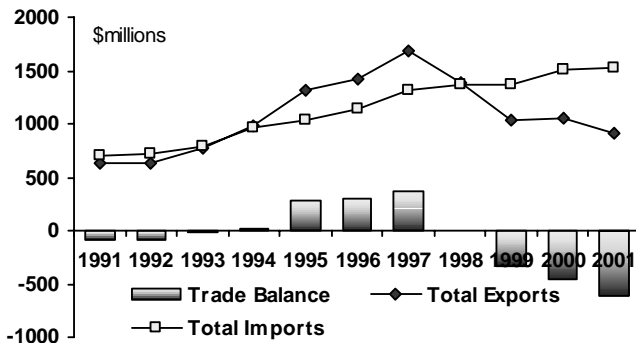
### **Recommendation 23**

**That the Government of Canada ensure its ability to preserve and promote cultural diversity by accelerating its efforts to achieve the desired New International Instrument on Cultural Diversity.**

# APPENDIX A

## Canada's Trade Activity with Brazil...

**Fig. A1 – ...over time (1991-2001)**



•Canada's exports to Brazil totalled \$914 million in 2001, up 46% since 1991. Brazil was Canada's 15th-largest bilateral trading partner in 2001 and largest in South America.

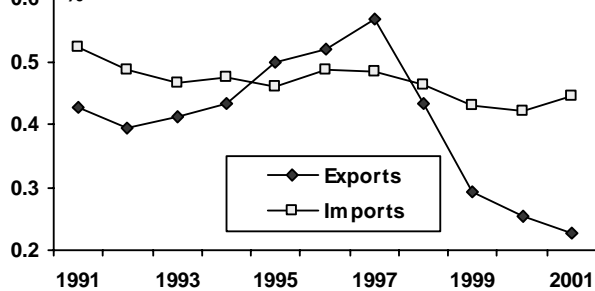
•The sharp drop in exports in 1998 and 1999 was due in part to the Asian Crisis which sent Brazil into a recession over that period.

•Imports into Canada reached \$1.5 billion in 2001, 117% higher than in 1991. Canada has a trade deficit with Brazil of \$616 million, its largest in the Americas – with the exception of Mexico.

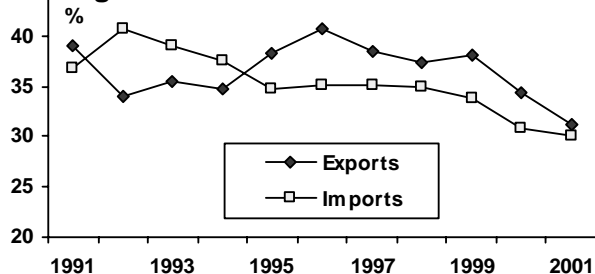
•Canada's growth in trade with Brazil has not kept pace with its trade with other countries. As a result, the proportion of Canada's exports to, and imports from, Brazil are both falling.

•In 2000, Brazil accounted for 31% of Canada's exports to S. America and for 30% of its imports from that region.

**Fig. A2 – ...as a % of world total**



**Fig. A3 – ...as a % of total in S. America**



**Table A1 - Canada's Top 15 Exports to Brazil**  
(in \$millions)

|                                   | 1991       | 2001       | Growth:<br>\$millions |
|-----------------------------------|------------|------------|-----------------------|
| Newsprint                         | 62         | 198        | 136                   |
| Potassium chloride                | 31         | 166        | 134                   |
| Coal                              | 71         | 93         | 22                    |
| Sulphur                           | 0          | 40         | 40                    |
| Electrical parts for telephones   | 6          | 32         | 26                    |
| Flight Simulators                 | 0          | 27         | 27                    |
| Motor vehicle body parts          | 0          | 27         | 27                    |
| Malt - unroasted                  | 4          | 15         | 12                    |
| Injection/moulding machines       | 0          | 15         | 15                    |
| Chemical pulp - dissolving grades | 13         | 12         | -2                    |
| Peas - dried and shelled          | 0          | 10         | 10                    |
| Canary seed                       | 0          | 9          | 9                     |
| Coated writing paper              | 0          | 8          | 8                     |
| Machinery parts - boring/sinking  | 1          | 8          | 7                     |
| Aircraft - unladen weight         | 39         | 7          | -32                   |
| <b>Sub-Total</b>                  | <b>227</b> | <b>665</b> | <b>438</b>            |
| Others                            | 398        | 249        | -26                   |
| <b>Total (All Products)</b>       | <b>625</b> | <b>914</b> | <b>412</b>            |

•Major export commodities to Brazil include paper products, minerals, vehicle parts, forest products, high-tech goods and certain grains and legumes.

•Newsprint and potassium chloride were Canada's largest export to Brazil in 2001, as well as the fastest-growing. They accounted for 40% of total exports that year.

•Among Canada's major import items from Brazil are motor vehicle parts, fruit juices, coffee, raw sugar, clothing and leather products and wood pulp.

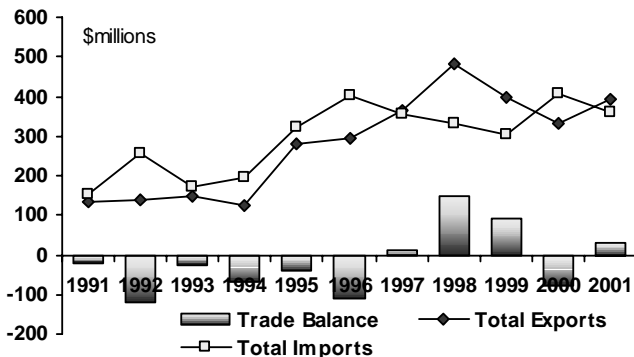
**Table A2 - Canada's Top 15 Imports from Brazil**  
(in \$millions)

|                                     | 1991       | 2001         | Growth:<br>\$millions |
|-------------------------------------|------------|--------------|-----------------------|
| Spark ignition for motor vehicles   | 3          | 126          | 123                   |
| Cane sugar - raw                    | 0          | 110          | 110                   |
| Orange juice - frozen               | 100        | 77           | -24                   |
| Compression ignition for motor veh. | 0          | 63           | 63                    |
| Coffee - unroasted                  | 47         | 62           | 14                    |
| Aluminum ores and concentrates      | 49         | 57           | 7                     |
| Semi-finished iron/non-alloy steel  | 1          | 46           | 45                    |
| Shoes, sandals and slippers         | 42         | 44           | 2                     |
| Chemical woodpulp (coniferous)      | 0          | 43           | 43                    |
| Wheels for motor vehicles           | 6          | 39           | 34                    |
| Radio receivers for motor vehicles  | 0          | 39           | 39                    |
| Leather                             | 5          | 34           | 28                    |
| Transmission/reception apparatuses  | 0          | 30           | 30                    |
| Chemical woodpulp (non-conf.)       | 10         | 28           | 17                    |
| Cotton sacks and bags for packing   | 8          | 26           | 18                    |
| <b>Sub-Total</b>                    | <b>273</b> | <b>823</b>   | <b>550</b>            |
| Others                              | 433        | 708          | 275                   |
| <b>Total (All Products)</b>         | <b>706</b> | <b>1,531</b> | <b>825</b>            |

Sources:LoP Calculations using Statistics Canada data

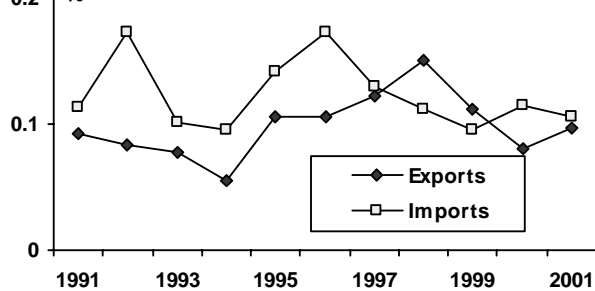
# Canada's Trade Activity with Cuba...

**Fig. A4 – ...over time (1991-2001)**

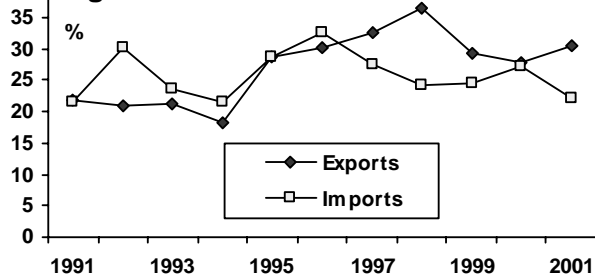


- Canada's exports to Cuba totalled \$392 million in 2001, up 192% since 1991.
- Imports into Canada reached \$361 million in 2001, 135% higher than in 1991. Canada had a small trade surplus with Cuba of \$30 million in 2001.
- While Canada's trade with most countries stagnated in 2001, exports to Cuba rose by 18%. Cuba is now Canada's 24th-largest export destination.
- Cuba is Canada's largest trading partner in Central America and the Caribbean, accounting for 27% of Canada's exports to that region and 27% of imports from that part of the world.

**Fig. A5 – ...as a % of world total**



**Fig. A6 – ...as a % of total in C. America\***



\* Includes the Caribbean

**Table A3 - Canada's Top 15 Exports to Cuba**  
(in \$000s)

|                                     | 1991           | 2001           | Growth: \$000s |
|-------------------------------------|----------------|----------------|----------------|
| Wheat and meslin                    | 50,318         | 24,241         | -26,077        |
| Peas - dried and shelled            | 29             | 20,106         | 20,077         |
| Poultry meat - cut and frozen       | 0              | 17,938         | 17,938         |
| Other motor vehicle parts           | 481            | 14,187         | 13,706         |
| Sulphur                             | 0              | 12,392         | 12,392         |
| Computers (& related) and parts     | 8              | 10,479         | 10,472         |
| Swine - boneless cuts, frozen       | 126            | 10,145         | 10,019         |
| Parts for steam-generating boilers  | 0              | 9,069          | 9,069          |
| Locomotive parts                    | 225            | 8,953          | 8,728          |
| Steam/vapour turbines (>40MW)       | 0              | 8,305          | 8,305          |
| Machinery parts (boring or sinking) | 0              | 8,257          | 8,257          |
| Powdered milk/cream                 | 11,192         | 7,931          | -3,260         |
| Computer systems                    | 0              | 6,957          | 6,957          |
| Powdered milk/cream - unsweetened   | 851            | 6,697          | 5,846          |
| Input/output units for computers    | 0              | 6,543          | 6,543          |
| <b>Sub-Total</b>                    | <b>63,228</b>  | <b>172,201</b> | <b>108,973</b> |
| Others                              | 70,970         | 219,497        | 105,725        |
| <b>Total (All Products)</b>         | <b>134,198</b> | <b>391,698</b> | <b>214,699</b> |

- Major export commodities to Cuba include wheat, chemicals, food products, vehicle parts, computers and computer parts and machines and machinery parts.
- Canada's export portfolio to Cuba is relatively diverse. The fifteen most significant products accounted for only 44% of total exports in 2001.
- Among Canada's major import items from Cuba are ash and residues, raw sugar, cigars, scrap metals and seafood products.

**Table A4 - Canada's Top 15 Imports from Cuba**  
(in \$000s)

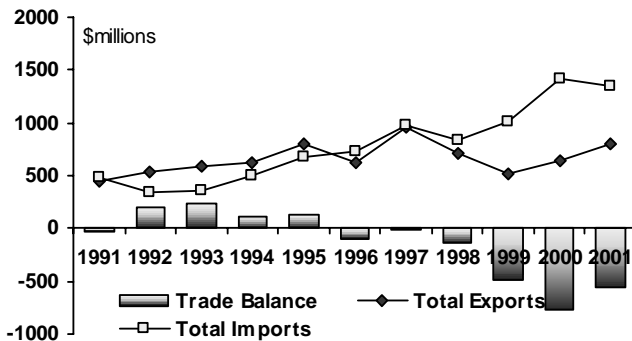
|                                       | 1991           | 2001           | Growth: \$000s |
|---------------------------------------|----------------|----------------|----------------|
| Ash and residues                      | 0              | 303,997        | 303,997        |
| Cane sugar - raw                      | 77,547         | 27,284         | -50,263        |
| Cane molasses                         | 2,297          | 6,139          | 3,842          |
| Cigars and related                    | 750            | 5,632          | 4,883          |
| Rock lobster and related - frozen     | 4,932          | 5,213          | 280            |
| Copper waste and scrap                | 5,509          | 4,451          | -1,058         |
| Rock lobster and related - not frozen | 0              | 1,346          | 1,346          |
| Binder or baler twine                 | 0              | 1,092          | 1,092          |
| Rum and tafia                         | 271            | 792            | 521            |
| Other lobsters - not frozen           | 2,220          | 651            | -1,570         |
| Aluminum waste and scrap              | 0              | 458            | 458            |
| Mens/boys pants - cotton              | 0              | 359            | 359            |
| Fresh/chilled fish (not fillets)      | 0              | 330            | 330            |
| Textile-based sacks                   | 0              | 292            | 292            |
| Coffee - unroasted                    | 0              | 291            | 291            |
| <b>Sub-Total</b>                      | <b>93,526</b>  | <b>358,327</b> | <b>264,801</b> |
| Others                                | 60,248         | 3,005          | -57,243        |
| <b>Total (All Products)</b>           | <b>153,774</b> | <b>361,332</b> | <b>207,558</b> |

Sources:LoP Calculations using Statistics Canada data



## Canada's Trade Activity with Venezuela...

**Fig. A7 – ...over time (1991-2001)**



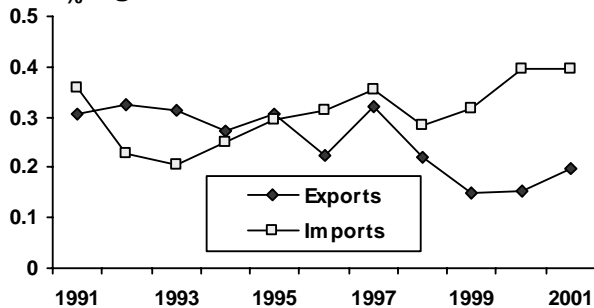
- Canada's exports to Venezuela totalled \$792 million in 2001, up 77% since 1991.
- Imports into Canada totalled \$1.4 billion in 2001, 180% higher than in 1991. Strong growth in imports in 1999 and 2000 was fuelled by high energy prices.
- Venezuela was Canada's 18<sup>th</sup>-largest trading partner in 2001.
- Canada's trade deficit with Venezuela reached \$560 million in 2000. This is Canada's third-largest trade deficit in the Americas, behind Mexico and Brazil.
- Venezuela is Canada's second-largest trading partner in South America, accounting for for 27% of Canada's exports to that continent and also for 27% of its imports from S. America in 2000.

**Table A5 - Canada's Top 15 Exports to Venezuela**  
(in \$000s)

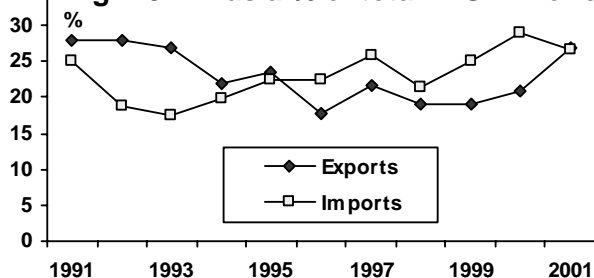
|                                       | 1991           | 2001           | Growth:<br>\$000s |
|---------------------------------------|----------------|----------------|-------------------|
| Motor vehicle body parts              | 135,620        | 271,240        | 135,620           |
| Wheat and meslin                      | 62,250         | 111,494        | 49,244            |
| Durum wheat                           | 31,526         | 97,060         | 65,534            |
| Newsprint                             | 49,258         | 67,300         | 18,042            |
| Parts of gas turbines                 | 14,600         | 21,801         | 7,200             |
| Boring/sinking machinery - self-prop. | 0              | 17,998         | 17,998            |
| Parts of boring/sinking machinery     | 359            | 12,541         | 12,181            |
| Chemical woodpulp - coniferous        | 17,354         | 11,698         | -5,657            |
| Machine and appliance parts           | 99             | 9,074          | 8,975             |
| Electrical parts for telephones       | 450            | 8,355          | 7,905             |
| Parts for liquid pumps                | 1,599          | 8,320          | 6,721             |
| Lentils - dried and shelled           | 3,335          | 6,864          | 3,530             |
| Parts for power engines/motors        | 0              | 6,636          | 6,636             |
| Prepared potato products - frozen     | 347            | 6,545          | 6,198             |
| Peas - dried and shelled              | 4,898          | 5,342          | 444               |
| <b>Sub-Total</b>                      | <b>321,694</b> | <b>662,265</b> | <b>340,571</b>    |
| Others                                | 123,902        | 129,479        | 5,577             |
| <b>Total (All Products)</b>           | <b>445,596</b> | <b>791,745</b> | <b>346,149</b>    |

- Major export commodities to Venezuela include wheat, legumes, motor vehicle parts, machines/appliances and their parts, newsprint and food products.
- Wheat and machinery are also among Canada's fastest-growing exports to Venezuela.
- Canada's imports from Venezuela are dominated by resource-based products. Crude oil and refined petroleum – sold in eastern Canada – account for 90% of total imports in 2001.

**% Fig. A8 – ...as a % of world total**



**% Fig. A9 – ...as a % of total in S. America**



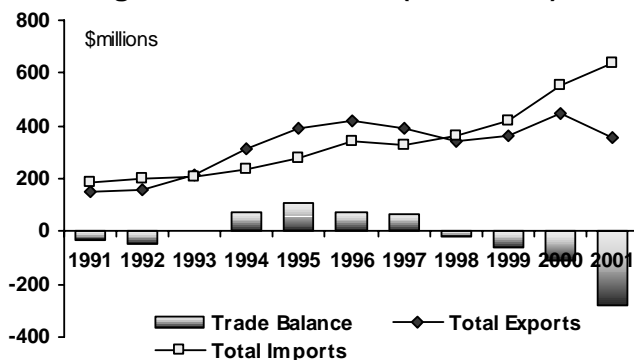
**Table A6 - Canada's Top 15 Imports from Venezuela**  
(in \$000s)

|  | 1991           | 2001             | Growth:<br>\$000s |
|--|----------------|------------------|-------------------|
| Crude oil                              | 230,433        | 1,042,190        | 811,757           |
| Refined petroleum                      | 210,937        | 168,454          | -42,483           |
| Natural bitumen and asphalt            | 0              | 27,967           | 27,967            |
| Bituminous coal                        | 0              | 21,282           | 21,282            |
| Aluminum oxides                        | 0              | 14,688           | 14,688            |
| Ferro-silicon                          | 0              | 14,086           | 14,086            |
| Casing and tubing for oil/gas drilling | 0              | 7,751            | 7,751             |
| Methanol                               | 0              | 7,514            | 7,514             |
| Semi-finished iron/steel products      | 0              | 6,424            | 6,424             |
| Acyclic ethers and derivatives         | 0              | 5,685            | 5,685             |
| Ferrous products                       | 0              | 3,635            | 3,635             |
| Coal                                   | 0              | 3,298            | 3,298             |
| Other motor vehicle parts              | 3,101          | 2,298            | -803              |
| Phthalic anhydride                     | 222            | 2,129            | 1,907             |
| Parts of turbo-jets/turbo-props        | 0              | 2,059            | 2,059             |
| <b>Sub-Total</b>                       | <b>444,694</b> | <b>1,329,461</b> | <b>884,767</b>    |
| Others                                 | 38,356         | 22,434           | -15,922           |
| <b>Total (All Products)</b>            | <b>483,050</b> | <b>1,351,895</b> | <b>868,845</b>    |

Sources: LoP Calculations using Statistics Canada data

## Canada's Trade Activity with Chile...

**Fig. A10 – ...over time (1991-2001)**



- Canada's exports to Chile totalled \$359 million in 2001, up 139% since 1991.

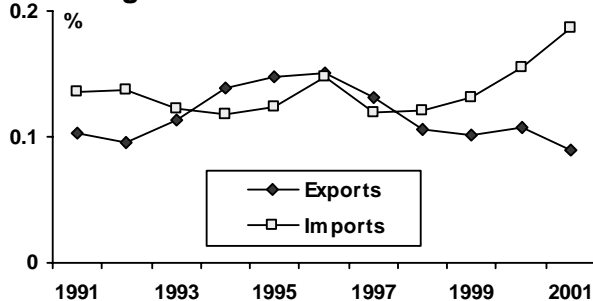
- Imports into Canada reached \$641 million in 2001, a 249% increase over 1991. Growth has been particularly strong since the Canada-Chile FTA was implemented in 1997.

- Canada had a trade deficit with Chile of \$282 million in 2001. The trade balance has been deteriorating steadily since 1995.

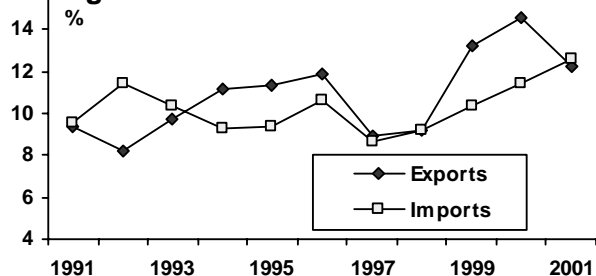
- The Chilean market is growing in importance as a source of imports into Canada.

- Chile accounted for 12% of Canada's exports to S. America in 2000, up from 9% in 1991. 13% of Canada's South American imports come from Chile.

**Fig. A11 – ...as a % of world total**



**Fig. A12 – ...as a % of total in S. America**



**Table A7 - Canada's Top 15 Exports to Chile**  
(in \$millions)

|                                       | 1991       | 2001       | Growth:<br>\$millions |
|---------------------------------------|------------|------------|-----------------------|
| Bituminous coal                       | 17         | 31         | 14                    |
| Durum wheat                           | 9          | 28         | 19                    |
| Potassium chloride                    | 11         | 18         | 7                     |
| Wheat and meslin                      | 8          | 16         | 7                     |
| Kraftliner paper                      | 0          | 15         | 15                    |
| Electrical parts for telephones       | 2          | 12         | 11                    |
| Semi-chemical fluting paper           | 0          | 10         | 10                    |
| Flat-rolled stainless steel products  | 0          | 6          | 6                     |
| Parts for electric motors, etc.       | 0          | 6          | 6                     |
| Malt - unroasted                      | 0          | 6          | 6                     |
| Parts for machines or appliances      | 0          | 6          | 6                     |
| Lentils - dried and shelled           | 1          | 5          | 4                     |
| Machinery parts (boring or sinking)   | 2          | 5          | 3                     |
| Parts for radio/TV etc. (not aerials) | 0          | 5          | 5                     |
| Transmission/reception apparatuses    | 1          | 4          | 4                     |
| <b>Sub-Total</b>                      | <b>51</b>  | <b>175</b> | <b>124</b>            |
| Others                                | 99         | 184        | 85                    |
| <b>Total (All Products)</b>           | <b>150</b> | <b>359</b> | <b>209</b>            |

- Major export commodities to Chile include wheat, coal, telephone parts, paper products, chemicals and machinery.

- Most export products have seen strong growth since 1991, especially so for manufactured goods.

- Canada's imports from Chile are heavily concentrated in a few key areas. Copper ores and concentrates account for 37% of the total.

- Wines, grapes and other fresh fruits dominate the rest of the list.

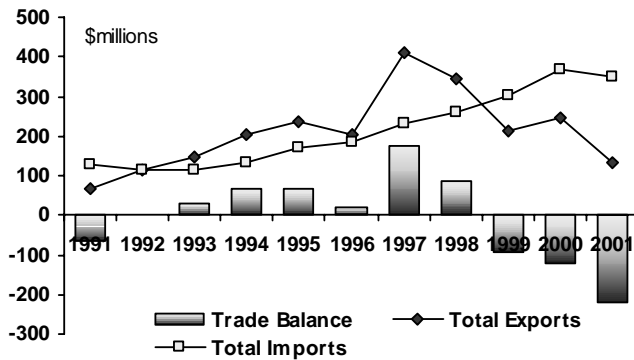
**Table A8 - Canada's Top 15 Imports from Chile**  
(in \$millions)

|  | 1991       | 2001       | Growth:<br>\$millions |
|--|------------|------------|-----------------------|
| Copper ores and concentrates             | 3          | 210        | 207                   |
| Grapes - fresh                           | 77         | 93         | 17                    |
| Wines - non-sparkling (2L or less)       | 10         | 43         | 33                    |
| Copper waste and scrap                   | 0          | 30         | 30                    |
| Maize (corn) seed (excl. sweet corn)     | 0          | 22         | 22                    |
| Wines - non-sparkling (>2L)              | 3          | 15         | 12                    |
| Apples - fresh                           | 9          | 14         | 5                     |
| Unrefined copper/copper anodes           | 2          | 13         | 11                    |
| Coniferous wood -continuously shaped     | 1          | 13         | 12                    |
| Peaches and nectarines - fresh           | 9          | 11         | 2                     |
| Fish fillets and other fish meat - fresh | 1          | 11         | 9                     |
| Plums and sloes - fresh                  | 7          | 9          | 2                     |
| Pears and quinces - fresh                | 9          | 7          | -2                    |
| Grape juice                              | 1          | 7          | 6                     |
| Fibreboard                               | 0          | 7          | 7                     |
| <b>Sub-Total</b>                         | <b>132</b> | <b>504</b> | <b>372</b>            |
| Others                                   | 52         | 136        | 85                    |
| <b>Total (All Products)</b>              | <b>183</b> | <b>641</b> | <b>457</b>            |

Sources:LoP Calculations using Statistics Canada data

# Canada's Trade Activity with Argentina...

**Fig. A13 – ...over time (1991-2001)**



Canada's exports to Argentina totalled \$132 million in 2001, up 103% since 1991.

The drop in exports in 1998 and 1999 was due in part to the economic fallout from the Asian Crisis.

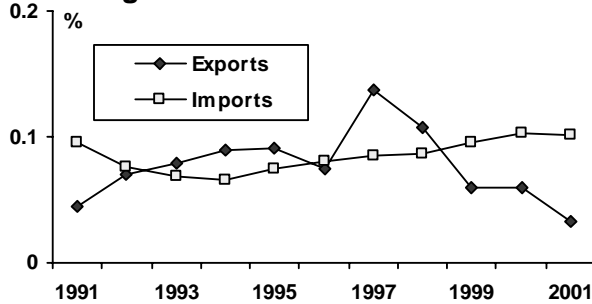
- Imports into Canada reached \$350 million in 2001, 169% higher than in 1991.

- Canada had a trade deficit with Argentina of \$218 million in 2001. Canada's trade balance has deteriorated steadily since 1997.

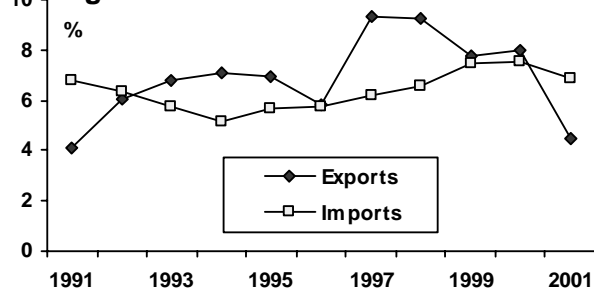
- Economic difficulties in Argentina have contributed to a substantial decline in Canadian exports in 2001. Exports are 46% lower than a year earlier.

- Argentina accounts for about 5% of Canada's exports to South America and for 7% of its imports.

**Fig. A14 – ...as a % of world total**



**Fig. A15 – ...as a % of total in S. America**



**Table A9 - Canada's Top 15 Exports to Argentina**  
(in \$000s)

|  | 1991          | 2001           | Growth:<br>\$000s |
|--|---------------|----------------|-------------------|
| Electrical parts for telephones        | 322           | 14,644         | 14,323            |
| Injection-moulding machines            | 150           | 7,708          | 7,558             |
| Newsprint                              | 1,420         | 6,581          | 5,162             |
| Telephone sets                         | 0             | 3,390          | 3,390             |
| Synthetic monofilament                 | 0             | 2,900          | 2,900             |
| Modems and related                     | 0             | 2,818          | 2,818             |
| Lentils - dried and shelled            | 0             | 2,768          | 2,768             |
| Ethylene polymers - primary forms      | 0             | 2,524          | 2,524             |
| Transmission/reception apparatuses     | 0             | 2,436          | 2,436             |
| Ventilating, air/gas recycling hoods   | 0             | 2,381          | 2,381             |
| Scientific instruments (physical sci.) | 33            | 2,353          | 2,320             |
| Machines and mechanical appliances     | 20            | 2,193          | 2,173             |
| Self-adhesive film, tape, sheets, etc. | 501           | 1,959          | 1,458             |
| Parts for boring/sinking machinery     | 252           | 1,844          | 1,593             |
| Electrical boards and control panels   | 299           | 1,829          | 1,530             |
| <b>Sub-Total</b>                       | <b>2,995</b>  | <b>58,329</b>  | <b>55,334</b>     |
| Others                                 | 62,084        | 73,784         | 11,700            |
| <b>Total (All Products)</b>            | <b>65,079</b> | <b>132,113</b> | <b>67,034</b>     |

- Canada's export mix to Argentina is weighted towards manufactured and high-tech goods. Leading products include telecommunications products, plastics, machinery and machinery parts.

- Most export products have seen considerable growth since 1991 when Canada only exported \$65 million of goods to Argentina.

- Major imports from Argentina include beef, fresh fruits and other food products. Also significant are iron/steel products, including pipe for the oil and gas sector.

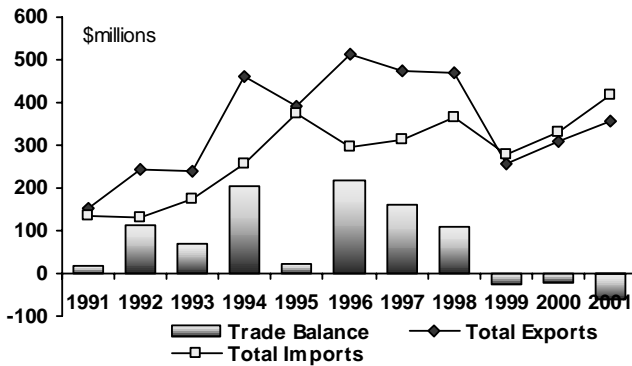
**Table A10 - Canada's Top 15 Imports from Argentina**  
(in \$000s)

|                                    | 1991           | 2001           | Growth:<br>\$000s |
|------------------------------------|----------------|----------------|-------------------|
| Copper ores and concentrates       | 0              | 54,751         | 54,751            |
| Casing/tubing for oil/gas drilling | 0              | 33,245         | 33,245            |
| Semi-finished iron/steel products  | 0              | 21,239         | 21,239            |
| Leather                            | 15,998         | 20,275         | 4,277             |
| Pears and quinces - fresh          | 4,832          | 16,165         | 11,333            |
| Ground nuts - shelled, unroasted   | 5,653          | 13,450         | 7,797             |
| Chocolate and related              | 13             | 11,413         | 11,400            |
| Lemons/limes - fresh/dried         | 4,052          | 10,896         | 6,844             |
| Ores and concentrates              | 0              | 10,808         | 10,808            |
| Beef - frozen                      | 0              | 9,715          | 9,715             |
| Leather - tanned                   | 10,707         | 9,607          | -1,100            |
| Nuts - fresh or dried              | 28             | 8,806          | 8,778             |
| Non-sparkling wines (2L or less)   | 602            | 7,698          | 7,096             |
| Scallops - preserved               | 33             | 7,041          | 7,008             |
| Beef - fresh                       | 5,958          | 6,088          | 130               |
| <b>Sub-Total</b>                   | <b>47,875</b>  | <b>241,197</b> | <b>193,322</b>    |
| Others                             | 82,160         | 108,812        | 26,653            |
| <b>Total (All Products)</b>        | <b>130,035</b> | <b>350,010</b> | <b>219,975</b>    |

Sources: LoP Calculations using Statistics Canada data

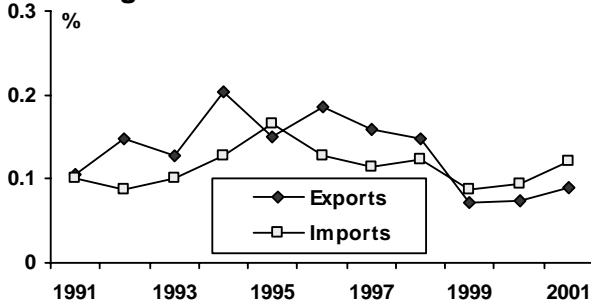
# Canada's Trade Activity with Colombia...

**Fig. A16 – ...over time (1991-2001)**

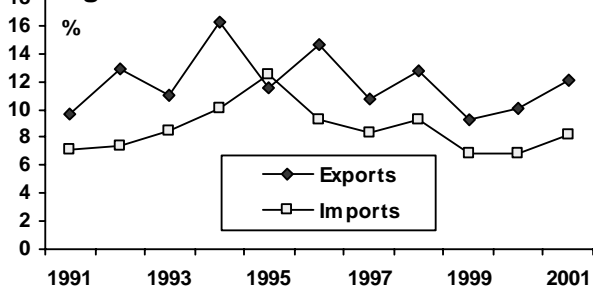


- Canada's exports to Colombia totalled \$357 million in 2001, up 132% since 1991.
- Exports to Colombia exhibited strong growth in the early 1990s, but dropped off late in the decade, partially an effect of the Asian Crisis.
- Exports began to recover in 2000 and into 2001. Exports have grown by 40% over the past two years,
- Imports into Canada reached \$416 million in 2001, 206% higher than in 1991. Canada has a small trade deficit with Columbia - \$59 million in 2001.
- Colombia is Canada's 4th-largest trading partner in South America. It accounts for 12% of Canada's exports to South America and 8% of Canada's imports from that continent.

**Fig. A17 – ...as a % of world total**



**Fig. A18 – ...as a % of total in S. America**



**Table A11 - Canada's Top 15 Exports to Colombia**  
(in \$millions)

|  | 1991       | 2001       | Growth: \$millions |
|--|------------|------------|--------------------|
| Wheat and meslin                       | 30         | 131        | 101                |
| Newsprint                              | 32         | 38         | 6                  |
| Lentils - dried and shelled            | 9          | 19         | 10                 |
| Wire bars - unwrought copper           | 0          | 18         | 18                 |
| Peas - dried and shelled               | 7          | 14         | 8                  |
| Motor vehicle body parts               | 19         | 13         | -7                 |
| Potassium chloride                     | 7          | 12         | 5                  |
| Coated paper - not for writing         | 0          | 8          | 8                  |
| Fine paper - for writing               | 1          | 7          | 6                  |
| Electrical parts for telephones        | 0          | 5          | 5                  |
| Herbicides - for retail sale           | 0          | 5          | 5                  |
| Asbestos                               | 10         | 4          | -6                 |
| Vitamins and derivatives - in dosage   | 0          | 4          | 4                  |
| Radio, TV, radar parts (excl. aerials) | 0          | 3          | 3                  |
| Red beans - dried and shelled          | 0          | 3          | 3                  |
| <b>Sub-Total</b>                       | <b>114</b> | <b>282</b> | <b>168</b>         |
| Others                                 | 40         | 75         | 35                 |
| <b>Total (All Products)</b>            | <b>154</b> | <b>357</b> | <b>203</b>         |

- Wheat, dried legumes, newsprint and other paper products make up the vast majority of Canada's exports to Colombia. Telecommunications equipment is also a growing export product.
- Coffee imports from Colombia have been falling in recent years. As a result, coal is now Canada's largest and fastest-growing import from that country.
- Other significant imports include bananas, petroleum, raw sugar and fresh flowers.

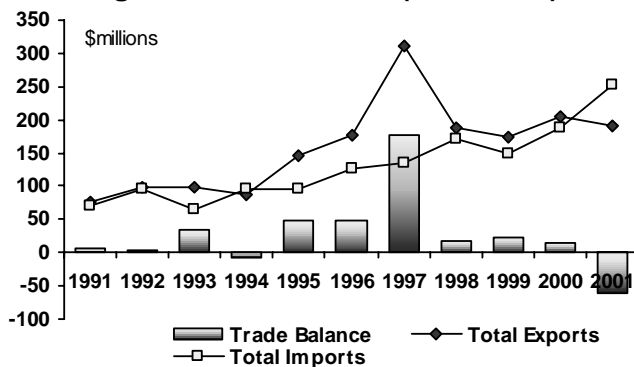
**Table A12 - Canada's Top 15 Imports from Colombia**  
(in \$millions)

|                                     | 1991       | 2001       | Growth: \$millions |
|-------------------------------------|------------|------------|--------------------|
| Coal                                | 0          | 90         | 90                 |
| Coffee - unroasted                  | 54         | 76         | 22                 |
| Bananas and plantains - fresh/dried | 23         | 59         | 36                 |
| Cut flowers and buds - fresh        | 16         | 47         | 31                 |
| Crude oil                           | 0          | 37         | 37                 |
| Bituminous coal                     | 0          | 32         | 32                 |
| Yarn                                | 0          | 8          | 8                  |
| Refined oil                         | 7          | 7          | 0                  |
| Fungicides                          | 0          | 5          | 5                  |
| Cane molasses                       | 0          | 4          | 4                  |
| Coffee - unroasted, decaffeinated   | 5          | 4          | -1                 |
| Cane sugar - raw                    | 0          | 4          | 4                  |
| Jewellery                           | 0          | 3          | 3                  |
| Ceramic sinks, urinals, etc.        | 0          | 3          | 3                  |
| Coffee extracts, essences, etc.     | 0          | 2          | 2                  |
| <b>Sub-Total</b>                    | <b>106</b> | <b>382</b> | <b>277</b>         |
| Others                              | 30         | 33         | 3                  |
| <b>Total (All Products)</b>         | <b>136</b> | <b>416</b> | <b>280</b>         |

Sources:LoP Calculations using Statistics Canada data

## Canada's Trade Activity with Peru...

**Fig. A19 – ...over time (1991-2001)**



- Canada's exports to Peru totalled \$190 million in 2001, up 147% since 1991.

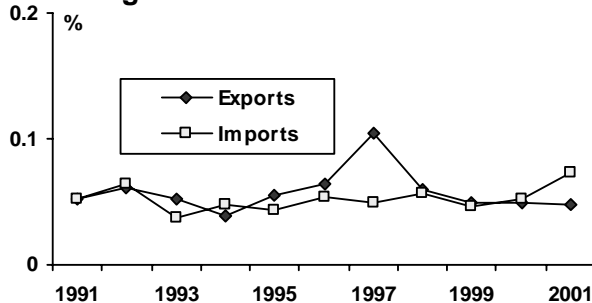
- The spike in exports in 1997 was the result of a huge one-time surge in the sale of wheat.

- Imports into Canada reached \$251 million in 2001, 252% higher than in 1991.

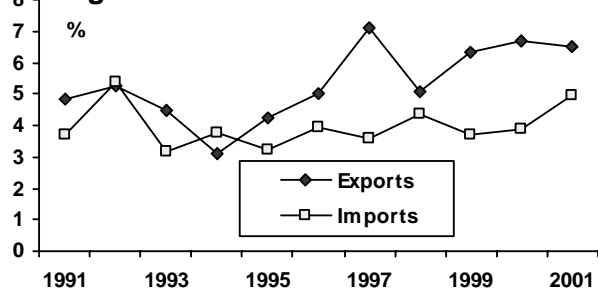
- Prior to 2001, Peru was one of the few countries in the Americas with whom Canada had registered a consistent trade surplus. The trade deficit in 2001 was \$61 million.

- Although Peru is a relatively small trading partner for Canada, it represents a growing market for Canadian exporters in South America. Peru accounted for 6.5% of Canada's exports to the continent in 2000.

**Fig. A20 – ...as a % of world total**



**Fig. A21 – ...as a % of total in S. America**



**Table A13 - Canada's Top 15 Exports to Peru**  
(in \$000s)

|                                       | 1991          | 2001           | Growth:<br>\$000s |
|---------------------------------------|---------------|----------------|-------------------|
| Wheat and meslin                      | 22,249        | 55,594         | 33,345            |
| Durum wheat                           | 567           | 38,823         | 38,256            |
| Copper ores and concentrates          | 0             | 7,013          | 7,013             |
| Wooden telephone poles, fence posts   | 0             | 5,512          | 5,512             |
| Lentils - dried and shelled           | 3,422         | 5,231          | 1,809             |
| Machines (injection/moulding)         | 0             | 5,125          | 5,125             |
| Peas - dried and shelled              | 357           | 5,101          | 4,744             |
| Machinery parts (minerals, ores etc.) | 255           | 3,517          | 3,262             |
| Front-end shovel loaders              | 117           | 3,444          | 3,327             |
| Rendered fats (bovine, sheep, goat)   | 0             | 3,385          | 3,385             |
| Beef livers, offal - frozen           | 0             | 3,285          | 3,285             |
| Machinery parts (boring and sinking)  | 596           | 3,001          | 2,405             |
| Machinery (boring, sinking etc.)      | 106           | 2,667          | 2,560             |
| Newsprint                             | 8,032         | 2,380          | -5,652            |
| Machines (crushing or grinding)       | 0             | 2,211          | 2,211             |
| <b>Sub-Total</b>                      | <b>35,701</b> | <b>146,287</b> | <b>110,586</b>    |
| Others                                | 41,265        | 43,931         | 2,667             |
| <b>Total (All Products)</b>           | <b>76,966</b> | <b>190,219</b> | <b>113,253</b>    |

- Wheat, including durum, is Canada's largest export to Peru, accounting for 50% of total exports to that country. Wheat is also among the fastest-growing export commodities.

- The remainder of Canada's export mix is dominated by manufactured goods, particularly machines and machinery parts.

- Among Canada's major import items from Peru are mineral ores and concentrates, inedible fish flour, meal, etc., coffee, fresh fruits and vegetables, and clothing.

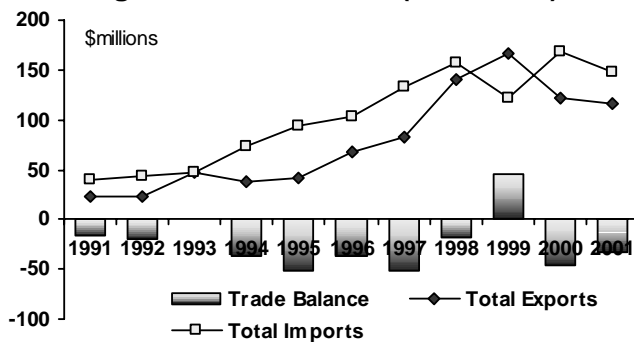
**Table A14 - Canada's Top 15 Imports from Peru**  
(in \$000s)

|                                      | 1991          | 2001           | Growth:<br>\$000s |
|--------------------------------------|---------------|----------------|-------------------|
| Fish prods - not for human consumpt. | 0             | 49,020         | 49,020            |
| Copper ores and concentrates         | 0             | 40,385         | 40,385            |
| Lead ores and concentrates           | 5,762         | 39,120         | 33,359            |
| Coffee - unroasted                   | 6,566         | 23,349         | 16,783            |
| Fish fats and oils                   | 0             | 22,104         | 22,104            |
| Zinc ores and concentrates           | 8,474         | 10,798         | 2,324             |
| Silver ores and concentrates         | 7,991         | 8,661          | 670               |
| Asparagus - fresh                    | 683           | 7,150          | 6,466             |
| Unwrought tin                        | 0             | 6,732          | 6,732             |
| Refined petroleum                    | 0             | 4,068          | 4,068             |
| T-shirts, vests - knitted cotton     | 2,487         | 3,281          | 794               |
| Unwrought zinc                       | 0             | 2,300          | 2,300             |
| Other garments - knitted cotton      | 0             | 1,952          | 1,952             |
| Tropical lumber                      | 0             | 1,920          | 1,920             |
| Guavas, mangoes, etc. - fresh/dried  | 457           | 1,424          | 967               |
| <b>Sub-Total</b>                     | <b>32,420</b> | <b>222,265</b> | <b>189,845</b>    |
| Others                               | 39,037        | 29,180         | -9,857            |
| <b>Total (All Products)</b>          | <b>71,457</b> | <b>251,445</b> | <b>179,988</b>    |

Sources:LoP Calculations using Statistics Canada data

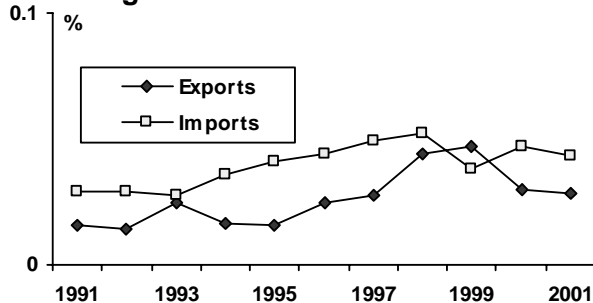
## Canada's Trade Activity with Guatemala...

**Fig. A22 – ...over time (1991-2001)**

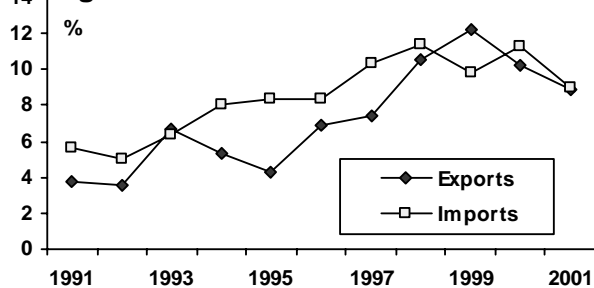


- Growth in Canada's exports to Guatemala have been among the fastest in the Americas. The value of exports reached \$115 million in 2001, compared to \$23 million in 1991 – an increase of 401%.
- However, this pace of growth has eased off since 1999. Exports in 2001 were 31% lower than two years earlier.
- Guatemalan imports into Canada totalled \$148 million in 2001, 271% higher than in 1991. Canada has a trade deficit of \$32 million with that country.
- Guatemala is Canada's 4th-largest trading partner in Central America and the Caribbean, behind Cuba, Jamaica and Trinidad and Tobago.
- 9% of Canada's exports to C. America and the Caribbean go to Guatemala. As well, 9% of its imports from that region come from that country.

**Fig. A23 – ...as a % of world total**



**Fig. A24 – ...as a % of total in C. America\***



\* Includes the Caribbean

**Table A15 - Canada's Top 15 Exports to Guatemala**  
(in \$000s)

|  | 1991          | 2001           | Growth:<br>\$000s |
|--|---------------|----------------|-------------------|
| Wheat and meslin                       | 0             | 57,651         | 57,651            |
| Potassium chloride                     | 1,223         | 9,772          | 8,549             |
| Durum wheat                            | 0             | 6,858          | 6,858             |
| Newsprint                              | 2,727         | 6,825          | 4,098             |
| Malt - unroasted                       | 0             | 2,475          | 2,475             |
| Semi-chemical fluting paper            | 0             | 1,861          | 1,861             |
| Radio, TV, radar parts (excl. aerials) | 7             | 1,684          | 1,677             |
| Transmission/reception apparatuses     | 0             | 1,614          | 1,614             |
| Groats and meal of oats                | 0             | 1,611          | 1,611             |
| Potato products - frozen               | 21            | 1,512          | 1,491             |
| Rendered fats (bovine, sheep, goat)    | 0             | 1,234          | 1,234             |
| Electrical parts for telephones        | 35            | 1,192          | 1,157             |
| Polyamides - in primary forms          | 0             | 1,134          | 1,134             |
| Herbicides, etc. - for retail sale     | 0             | 931            | 931               |
| Kraftliner paper                       | 0             | 834            | 834               |
| <b>Sub-Total</b>                       | <b>4,012</b>  | <b>97,186</b>  | <b>93,174</b>     |
| Others                                 | 18,993        | 18,089         | -904              |
| <b>Total (All Products)</b>            | <b>23,005</b> | <b>115,275</b> | <b>92,270</b>     |

- Wheat and durum wheat accounted for over half (56%) of Canada's total exports to Guatemala in 2000. Other major exports include telecommunications products, newsprint and food products.

- Guatemala is a relatively new market for Canadian exporters. Most Canadian products currently exported to Guatemala were not sold there ten years earlier.

- Canada's imports from Guatemala are almost exclusively concentrated in two areas – food products and clothing. Sugar and coffee are the two most significant products.

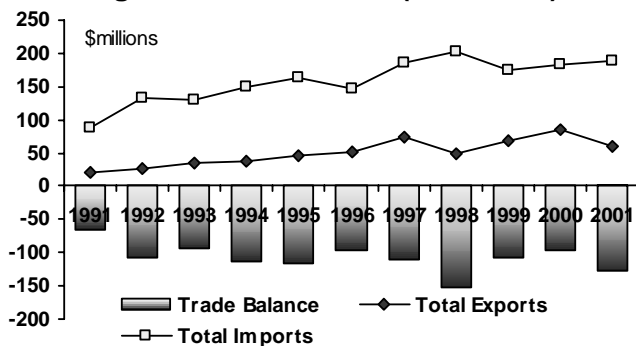
**Table A16 - Canada's Top 15 Imports from Guatemala**  
(in \$000s)

|                                      | 1991          | 2001           | Growth:<br>\$000s |
|--------------------------------------|---------------|----------------|-------------------|
| Coffee - unroasted                   | 24,829        | 41,862         | 17,033            |
| Cane sugar - raw                     | 0             | 35,489         | 35,489            |
| Bananas/plantains - fresh/dried      | 2,698         | 19,298         | 16,600            |
| Melons (not watermelons) - fresh     | 0             | 9,521          | 9,521             |
| Peas - fresh                         | 1,623         | 5,262          | 3,639             |
| Other garments - knitted cotton      | 0             | 3,814          | 3,813             |
| Womens/girls pants - woven cotton    | 182           | 3,010          | 2,828             |
| Sesame seeds                         | 1,355         | 1,886          | 531               |
| T-shirts, vests - knitted cotton     | 158           | 1,608          | 1,449             |
| Refined sugar                        | 0             | 1,557          | 1,557             |
| Christmas trees and related          | 0             | 1,473          | 1,473             |
| Womens/girls swimwear                | 0             | 1,427          | 1,427             |
| Sweaters, etc. - knitted cotton      | 0             | 1,334          | 1,334             |
| Cardamoms                            | 148           | 1,328          | 1,180             |
| Toilet soap and organic preparations | 956           | 1,237          | 281               |
| <b>Sub-Total</b>                     | <b>31,949</b> | <b>130,105</b> | <b>98,156</b>     |
| Others                               | 7,844         | 17,518         | 9,674             |
| <b>Total (All Products)</b>          | <b>39,793</b> | <b>147,623</b> | <b>107,830</b>    |

Sources: LoP Calculations using Statistics Canada data

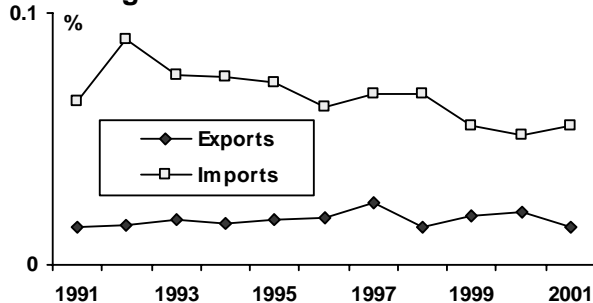
# Canada's Trade Activity with Costa Rica...

**Fig. A25 – ...over time (1991-2001)**

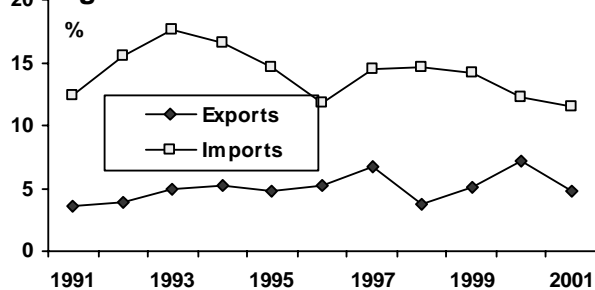


- Canada's exports to Costa Rica totalled \$61 million in 2001, up significantly since 1991 – by 180%.
- However, exports through 2001 were down considerably over the previous year, by 29%. Canada's recently-implemented free trade agreement with Costa Rica is expected to boost trade between the two countries in the future.
- Imports from Costa Rica are significantly higher than exports, reaching \$189 million in 2001, a 115% increase since 1991. Canada had a trade deficit with Costa Rica of \$127 million in 2001.
- Costa Rica is Canada's fifth-largest trading partner in Central America and the Caribbean. 12% of Canada's imports from that region come from Costa Rica and 7% of Canadian exports to that part of the world go to Costa Rica.

**Fig. A26 – ...as a % of world total**



**Fig. A27 – ...as a % of total in C. America\***



\* Includes the Caribbean

**Table A17 - Canada's Top 15 Exports to Costa Rica**  
(in \$000s)

|                                 | 1991          | 2001          | Growth: \$000s |
|---------------------------------|---------------|---------------|----------------|
| Newsprint                       | 6,263         | 15,222        | 8,958          |
| Potassium chloride              | 106           | 13,214        | 13,108         |
| Sack kraft paper                | 1,701         | 4,316         | 2,615          |
| Wheat and meslin                | 0             | 2,242         | 2,242          |
| Herbicides, etc.                | 0             | 1,727         | 1,727          |
| X-ray and similar machines      | 0             | 1,435         | 1,435          |
| Kraftliner paper - unbleached   | 0             | 1,332         | 1,332          |
| Electrical parts for telephones | 26            | 1,314         | 1,288          |
| Malt - not roasted              | 0             | 1,258         | 1,258          |
| Injection-moulding machines     | 0             | 1,210         | 1,210          |
| Refined petroleum               | 233           | 879           | 646            |
| Metal furniture for offices     | 0             | 693           | 693            |
| Beans - dried and shelled       | 0             | 672           | 672            |
| Canary seed                     | 21            | 657           | 636            |
| Polyethylene                    | 3             | 573           | 570            |
| <b>Sub-Total</b>                | <b>8,354</b>  | <b>46,744</b> | <b>38,390</b>  |
| Others                          | 13,451        | 14,384        | 933            |
| <b>Total (All Products)</b>     | <b>21,805</b> | <b>61,128</b> | <b>39,323</b>  |

- Newsprint and other paper products are a major export commodity to Costa Rica, along with wheat, potassium chloride, injection-moulding machines and pulses.
- Canada's largest imports from Costa Rica are tropical fruits. Bananas, pineapples and melons made up over half of all imports in 2001.
- Other significant import goods include coffee and computer parts and circuitry.

**Table A18 - Canada's Top 15 Imports from Costa Rica**  
(in \$000s)

|                                   | 1991          | 2001           | Growth: \$000s |
|-----------------------------------|---------------|----------------|----------------|
| Bananas/plantains - fresh/dried   | 46,464        | 58,156         | 11,692         |
| Pineapples - fresh/dried          | 1,856         | 34,498         | 32,641         |
| Coffee - unroasted                | 22,290        | 17,895         | -4,395         |
| Cane sugar - raw                  | 0             | 12,516         | 12,516         |
| Melons (not watermelons) - fresh  | 0             | 10,342         | 10,342         |
| Digital circuits (MOS technology) | 0             | 8,099          | 8,099          |
| Computer parts and accessories    | 4             | 3,550          | 3,546          |
| Hair dryers                       | 0             | 2,949          | 2,949          |
| Gaskets and other rubber seals    | 950           | 2,794          | 1,844          |
| Palm hearts - prepared            | 1,075         | 2,531          | 1,456          |
| Womens/girls underwear            | 187           | 2,311          | 2,125          |
| Cut flowers and buds - fresh      | 778           | 1,557          | 780            |
| Mens/boys underwear               | 0             | 1,239          | 1,239          |
| Ceramic sinks, urinals, etc.      | 0             | 1,195          | 1,195          |
| Mushroom spawn, other live plants | 0             | 1,189          | 1,189          |
| <b>Sub-Total</b>                  | <b>73,604</b> | <b>160,821</b> | <b>87,218</b>  |
| Others                            | 14,246        | 27,715         | 13,469         |
| <b>Total (All Products)</b>       | <b>87,849</b> | <b>188,536</b> | <b>100,687</b> |

Sources: LoP Calculations using Statistics Canada data





## APPENDIX B LIST OF WITNESSES

| Associations and Individuals  | Date       | Meeting |
|---|------------|---------|
| <b>Department of Foreign Affairs and International Trade</b><br>Claude Carrière, Director General, Trade Policy I   | 2002/01/30 | 17      |
| <b>Canadian Centre for Policy Alternatives</b><br>Bruce Campbell, Executive Director  | 2002/01/31 | 18      |
| <b>Centre for Trade Policy and Law of Carleton University</b><br>Bill Dymond, Executive Director<br>William Miner, Senior Associate   |            |         |
| <b>Grey, Clark, Shih and Associates Limited</b><br>Peter Clark, President   |            |         |
| <b>C.D. Howe Institute</b><br>Jack Mintz, President and Chief Executive Officer   | 2002/02/06 | 19      |
| <b>Department of Foreign Affairs and International Trade</b><br>Sergio Marchi, Permanent Representative and<br>Ambassador of Canada to the Office of the United<br>Nations and to the World Trade Organization<br>Don Stephenson, Director General, Trade Policy Bureau II,<br>Services, Investment and Intellectual Property Bureau<br>Randle Wilson, Director | 2002/02/07 | 20      |
| <b>Canadian Foundation for the Americas</b><br>Donald MacKay, Special Advisor   |            |         |
| <b>Canadian Apparel Federation</b><br>Bob Kirke, Executive Director<br>Jack Kivenko, Member<br>Elliot Lifson, President   | 2002/02/21 | 22      |
| <b>Canadian Council for International Business</b><br>Robert Keyes, President and Chief Executive Officer   |            |         |

| <b>Associations and Individuals</b>  | <b>Date</b> | <b>Meeting</b> |
|--|-------------|----------------|
| <b>Canadian Council for International Cooperation</b><br>Gerry Barr, President<br>Gauri Sreenivasan, Policy Coordinator  | 2002/02/21  | 22             |
| <b>Dairy Farmers of Canada</b><br>Yves Leduc, Assistant Director, International Trade<br>Department  |             |                |
| <b>International Trade Policy Consultants Inc.</b><br>Kathleen Macmillan, President  |             |                |
| <b>North-South Institute</b><br>Ann Weston, Vice-President   |             |                |
| <b>Rights and Democracy</b><br>Warren Allmand, President   | 2002/02/27  | 23             |
| <b>World Federalists of Canada</b><br>Fergus Watt, Executive Director  |             |                |
| <b>Canadian Environment Industry Association</b><br>Christopher Henderson, Past Chair, and CEO, The Delphi<br>Group<br>Rebecca Last, Director, Programs and Policy | 2002/02/28  | 24             |
| <b>International Institute for Sustainable Development</b><br>David Runnalls, President  |             |                |
| <b>Sierra Club of Canada</b><br>Elizabeth May, Executive Director  |             |                |
| <b>As Individual</b><br>Howard Mann, Consultant and Trade Lawyer   |             |                |
| <b>Canadian Manufacturers and Exporters</b><br>Mark Boudreau, Senior Director, Policy and Research<br>Jayson Myers, Chief Economist                                |             |                |

| <b>Associations and Individuals</b>   | <b>Date</b> | <b>Meeting</b> |
|---|-------------|----------------|
| <b>Federation of Canadian Municipalities</b><br>John Burrett, Senior Analyst<br>Jim Knight, Executive Director  | 2002/03/13  | 25             |
| <b>Canadian Agri-Food Trade Alliance</b><br>Liam McCreery, President  | 2002/03/20  | 26             |
| <b>Canadian Cattlemen's Association</b><br>Jim Caldwell, Director, Government Affairs<br>Neil Jahnke, Chairman  |             |                |
| <b>Canadian Federation of Agriculture</b><br>Dietwald Claus, Policy Analyst<br>Bob Friesen, President<br>Brigid Rivoire, Executive Director   |             |                |
| <b>Canadian Sugar Institute</b><br>Sandra Marsden, President  |             |                |
| <b>Canadian Wheat Board</b><br>Larry Hill, Director, Board of Directors<br>Victor Jarjour, Vice-President, Strategic Planning and Policy<br>Carl Potts, Strategic Planning and Policy |             |                |
| <b>Canadian Chamber of Commerce (The)</b><br>Alexander Lofthouse, Policy Analyst<br>Clifford Sosnow, Member   | 2002/03/21  | 27             |
| <b>Canadian Drug Manufacturers Association</b><br>Jim Keon, President   |             |                |
| <b>Canadian Steel Producers' Association</b><br>Barry Lacombe, President  |             |                |
| <b>"Coalition pour la diversité culturelle"</b><br>Robert Pilon, Executive Vice-President   |             |                |

| <b>Associations and Individuals</b>  | <b>Date</b> | <b>Meeting</b> |
|--|-------------|----------------|
| <p><b>Canadian Association of University Teachers</b><br/>David Robinson, Associate Executive Director</p>                                     | 2002/04/10  | 28             |
| <p><b>Canadian Bar Association</b><br/>Simon Potter, First Vice-President<br/>Tamra Thomson, Director, Legislation and Law Reform</p>          |             |                |
| <p><b>Canadian Labour Congress</b><br/>Pierre Laliberté, Senior Economist</p>  |             |                |
| <p><b>Canadian Restaurant and Food Services Association</b><br/>David Barlow, Vice-President<br/>Stephanie Jones, Vice-President</p>           |             |                |
| <p><b>Chicken Farmers of Canada</b><br/>Mike Dungate, General Manager</p>  |             |                |
| <p><b>Society of Composers, Authors and Music Publishers of Canada</b><br/>Paul Spurgeon, General Counsel<br/>Gilles Valiquette, President</p> |             |                |
| <p><b>Canadian Apparel Federation</b><br/>Bob Kirke, Executive Director<br/>Jack Kivenko, Member<br/>Elliot Lifson, President</p>              | 2002/04/11  | 29             |
| <p><b>Canadian International Development Agency</b><br/>Tim Miller, Sr Analyst, Trade and Development</p>                                      |             |                |
| <p><b>Department of Agriculture and Agri-Food</b><br/>Rory McAlpine, Director General, International Trade Policy Directorate</p>              |             |                |
| <p><b>Department of Finance</b><br/>Darwin Satherstrom, Chief, Trade in Goods, International Trade Policy Division</p>                         |             |                |

| <b>Associations and Individuals</b>  | <b>Date</b> | <b>Meeting</b> |
|--|-------------|----------------|
| <p><b>Department of Foreign Affairs and International Trade</b></p> <p>Ian Burney, Director, Trade Controls Policy Division</p> <p>Louis Gionet, Deputy Director, Trade Controls Policy Division</p> <p>Brian Morrisey, Director General, Economic Policy Bureau</p> | 2002/04/11  | 29             |
| <p><b>Department of Industry</b></p> <p>(Rick) FS Thomas, Director General, Manufacturing Industries Branch</p>  |             |                |
| <p><b>Union of Needletrades, Industrial and Textile Employees</b></p> <p>John Alleruzzo, President</p>   |             |                |
| <p><b>Government Policy Consultants</b></p> <p>Gerry Shannon, Senior Consultant</p>  | 2002/04/15  | 30             |
| <p><b>Grey, Clark, Shih and Associates Limited</b></p> <p>Peter Clark, President</p>   |             |                |
| <p><b>International Development Research Centre</b></p> <p>Susan Joekes, Team Leader</p> <p>Rohinton Medhora, Vice-President</p>   |             |                |
| <p><b>“Option Consommateurs”</b></p> <p>Delphine Nakache</p> <p>Patrick Vanasse, Director of Research, Representation Services</p>   |             |                |
| <p><b>Retail Council of Canada</b></p> <p>Sharon Maloney, Vice-President</p>   |             |                |



## APPENDIX C LIST OF BRIEFS

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Canadian Agri-Food Trade Alliance

Canadian Bar Association

Canadian Cattlemen's Association

Canadian Council for International Cooperation

Canadian Drug Manufacturers Association

Canadian Federation of Agriculture

Canadian Foundation for the Americas

Canadian Labour Congress

Canadian Manufacturers and Exporters

Canadian Restaurant and Food Services Association

Canadian Steel Producers' Association

Canadian Sugar Institute

Canadian Wheat Board

Chicken Farmers of Canada

C.D. Howe Institute

"Coalition pour la diversité culturelle"

Department of Foreign Affairs and International Trade

Federation of Canadian Municipalities

International Development Research Centre

International Trade Policy Consultants Inc.

Howard Mann

Retail Council of Canada

Society of Composers, Authors and Music Publishers of Canada

Union of Needletrades, Industrial and Textile Employees



## **REQUEST FOR GOVERNMENT RESPONSE**

Pursuant to Standing Order 109, the Committee requests that the government table a comprehensive response to this report.

A copy of the relevant Minutes of Proceedings (*Meeting No. 88*) is tabled.

Respectfully submitted,

Bernard Patry, M.P.  
*Chair*



## BLOC QUÉBÉCOIS SUPPLEMENTARY OPINION

### ON THE REPORT OF THE SUB-COMMITTEE ON INTERNATIONAL TRADE, TRADE DISPUTES AND INVESTMENT, *STRENGTHENING ECONOMIC RELATIONS BETWEEN CANADA AND THE AMERICAS*

#### TABLED TO THE STANDING COMMITTEE ON FOREIGN AFFAIRS AND INTERNATIONAL TRADE

June 2002

It was in a positive and open-minded spirit that Bloc Québécois took part in the proceedings of the Standing Committee on Foreign Affairs and International Trade dealing with Canada's economic links with the Americas. The Bloc Québécois supports most of the observations and recommendations in the report, but would like to complement them with the following additions:

The Bloc Québécois presented a brief summing up the Bloc's vision of globalization and the FTAA to the parliamentary committee of Québec's National Assembly that held public hearings on the FTAA in the fall of 2000.

Five principles guide our position on globalization and free trade: **Yes to globalization and free trade**, but subject to four other principles:

- 1) Québec's place in the world: Québec's government and the elected representatives of the people of Québec must have access to the negotiations and international forums where issues under Québec's jurisdiction are discussed.
- 2) Globalization with a human face: Clauses must be included in international treaties protecting social rights, labour rights and environmental rights.
- 3) Mandatory transparency: If the process of adopting international treaties is to be genuinely democratic, information must circulate as widely as possible and be available to everyone concerned (no more negotiations behind closed doors), and parliamentarians must debate and vote on treaties before they are ratified by governments.
- 4) Equal access for all stakeholders: Business enjoys special access to information and to the political players who negotiate international treaties. Every group in civil society should have the same access.

The Bloc Québécois would have liked the report to contain a recommendation for consideration of a social development fund for the Americas. Such a fund could be set up to help poorer countries to adjust to the impacts of economic integration in key sectors. The adoption of a Tobin tax might be one way of financing the fund. There are two undeniable advantages favouring adoption of a Tobin tax:

***The revenue generated would go directly to help poorer countries***

For example, on the basis of 240 working days a year, and international currency transactions averaging \$1,600 billion, reduced by 40% following introduction of the tax, a tax of 0.1% would bring in \$230 billion a year. If half this amount went into a social development fund, it would represent twice the total current international development assistance budget..

***Crises brought on by speculation could be avoided through currency stabilization***

At the present time, quite a small difference in interest rates can provoke a massive flight of capital from one country to another. Taxing currency exchanges, even at a very low rate, could reduce these highly speculative movements of capital.

With respect to democratic rights, the Bloc Québécois considers that the report does not go far enough because it does not stipulate that not only democratic rights but also labour and environmental rights must be protected. Every free trade agreement must include social clauses requiring the signatories to respect, among other things, fundamental democratic, labour and environmental rights. For example, governments must agree that the benefits of the FTAA will apply only to those countries that make a commitment to respect labour rights based on fundamental International Labour Organization conventions, forbidding forced and child labour and various forms of discrimination, and guaranteeing freedom of association and freedom to bargain collectively. A social development fund could be a primary source of assistance to developing countries that wish to live up to these commitments.

The same approach could be taken to environmental rights. Already the fact that the United States is refusing to respect its commitment to the Kyoto Protocol is posing major economic and environmental problems for Canada and Québec. Clearly we cannot consider economic integration until we have established a basic minimum of mutually agreed-upon rules in the social and environmental domains. Most governments now agree that globalization is not merely economic but also has cultural, social, environmental and even political implications.

The International Labour Office and the United Nations Program Secretariat should in the future be involved in FTAA and WTO negotiations, to contribute their social and environmental expertise.

With respect to the role of parliamentarians, the report should have stressed the fact that, as the democratically elected representatives of the people, they have a fundamental right to be informed and to debate the major issues affecting their communities, including international treaties. One result of intensifying globalization is that Canada is signing numerous international treaties. In fact, treaties — whether dealing with trade or human rights — are proliferating at an extraordinary rate. Paradoxically, full democratic discussion of the contents of these treaties has been declining since the arrival in power of the Liberal Party of Canada.

The Bloc Québécois would have liked the Committee to accept its recommendation on the place of the provinces in international negotiations. The Bloc has frequently expressed its concern at seeing the federal government go to the negotiating table alone, especially given the Liberal government's demonstrated willingness to centralize at the provinces' expense.

This gives the central government the tools to craft social programs and economic and cultural policies in accordance with the international agreements it signs on Canada's behalf, which bind Québec and the other provinces. We insist that the federal government make a place for the provinces at the negotiating table. In this regard, the Bloc Québécois would like to see the following recommendation added to the report:

**That the government of Canada create an agreed-upon mechanism for consultation with the provinces in all areas of federal jurisdiction. In all areas of exclusive or shared jurisdiction, decision-making and negotiating powers must be granted to Québec and to any province that wishes them.**

Such a mechanism would be an application of the thesis put forward by Québec's Education Minister in the early 1960s, Paul Gérin-Lajoie, on the international extension of domestic jurisdiction. These Canadian-Québec negotiating teams could receive their mandates from both governments, drafted after consensus between Québec City and Ottawa, as is done in Europe when negotiating mandates for the European Commission are defined.

This having been said, it is clear to the Bloc Québécois that the only option by which Québec can truly and fully defend its interests and values on the international scene in an era of globalization is to achieve sovereignty as soon as possible.

We would also like the Committee to include our recommendation for a full report on the positive and negative effects of NAFTA, which will soon be 10 years old. This seems to us an essential condition for pursuing construction of the FTAA. Finally, in recommendation 7, when fiscal conventions are mentioned, we would like to make it clear that negotiations must lead to the exclusion of countries considered as tax havens. In recommendation 8, we would have liked to see included the fact that the liberalisation of sugar should be excluded from the negotiations with the 4 countries of Central America, and that it should rather be negotiated in a multilateral framework such as that of the FTAA or the WTO.



5 June 2002

**Dissenting Opinion**  
**SCFAIT Sub-Committee on International Trade, Trade**  
**Disputes and Investment**  
**Report on Canada's Economic Links with the**  
**Americas**

Svend J. Robinson, MP

The New Democratic Party dissents from this report. We believe that the experience of the FTA and NAFTA has been destructive to people and the environment in Canada, Mexico and the US. It would be terribly wrong to extend the corporate power entrenched in NAFTA throughout the Americas by supporting the FTAA. Further, we note that the key economic player in the NAFTA, the United States, has shown repeatedly that it does not really believe in free trade at all. On softwood lumber, steel, agricultural subsidies, and energy among others, the US will go it alone and ignore its free trade rhetoric. Too many citizens in the Americas are hurting from these policies. The FTAA would make it worse.

While my New Democrat colleagues and I acknowledge and value the dedication and hard work of my fellow Sub-Committee members in holding extensive hearings with a wide variety of important witnesses on the subject of Canada's economic links with the Americas, in a number of important respects we cannot concur with the final report of the Sub-Committee. In some cases we dissent from the conclusions drawn by the majority, in others we find that the conclusions of the report do not accurately reflect the evidence heard by the Sub-Committee. Like my colleagues, I want to thank all of the witnesses who appeared before us. Their evidence was of great value for its depth and insight.

Unlike the other members of the Sub-Committee, my New Democrat colleagues and I disagree in principle with free trade agreements such as NAFTA and the FTAA, and therefore we cannot recommend that Canada seek to deepen its involvement in such detrimental accords. FTAs are undemocratic in the sense that they deliberately preclude parliamentary oversight of their operations, they offer no opportunity for the views of concerned citizens to be heard, and their rulings are made by secret tribunals which have the power to overrule national legislation. While this may be acceptable to corporations which seek unimpeded access to global markets, it is unacceptable to those who would retain the primacy of national sovereignty as protection against unchecked corporate power.

In its report, the Sub-Committee has taken some small steps towards addressing some of these concerns. However, it does not go nearly far enough. The following are the key areas in which we believe that the majority report must be changed or strengthened:

- The Report makes no mention of the urgent need for FTAs to include provisions which explicitly require member states to uphold the primacy of international human rights law, particularly in situations in which the trade agreements themselves conflict with domestic or international legislation designed to protect the fundamental rights of citizens. As Warren Allmand, then President of Rights and Democracy, told the Sub-Committee, it is imperative that we recall that universal human rights as embodied in UN treaties include the right to work, the right to just remuneration, the right to food, the right to housing, the right to health care and education. Too often, these inalienable rights have been ignored and subsumed by FTAs. As Mr. Allmand testified before the Sub-Committee, under international law, all member states of the United Nations are obliged to ensure that “human rights should prevail over trade treaties” should these two be in conflict. My NDP colleagues and I call on the government of Canada to put people and the environment first, rather than global corporate profits.
- The Report recommends that Canada encourage other FTAA participants to support the inclusion of language within the preamble of the agreement that would urge FTAA partners to respect the minimum labour standards within their respective jurisdictions. We believe that this recommendation is far too weak. Respect for international labour standards must be made a required provision included in the body of any international trade agreement.
- The Report envisions hemispheric FTAs as a means for promoting economic and social development, and reducing income inequality. We believe this is dangerous over-simplification of the effects that expanded trade has had in the Americas. According to Oxfam International’s recent report, *Rigged Rules and Double Standards: Trade, Globalization, and the Fight Against Poverty*, “in Latin America, rapid growth in exports has been associated with rising unemployment and stagnating incomes. Real minimum wages in the region were lower at the end of the 1990s than at the start of the decade. Evidence ... shows that the rural poor in particular are losing out.” We believe that trade can be effective in combating poverty, but only when trade agreements provide adequate provisions for the support of human rights, and give favourable treatment to poorer member states. Simply opening the markets of Latin America to free trade would only result in more rapid and extensive resource exploitation by North American corporations, and would likely perpetuate the poverty of our hemispheric neighbours.
- The Report recommends that Canada consider the use of parallel agreements on labour and environment issues. Yet we have seen with NAFTA that such side agreements provide no effective means of enforcement, and as a result are little more than token measures. We believe that these issues must be central to any international trade agreement, and should be subject to meaningful enforcement. Multilateral environmental accords must take precedence over trade deals.



- The Report recommends that Canada enhance the transparency of free trade negotiations as well as civil society participation by actively encouraging governments within the Americas to consult widely with their populations and civil society. My NDP colleagues and I wholeheartedly support this recommendation. However, we note that it is somewhat compromised by other recommendations, which suggest that Canada should conduct education campaigns in Latin American and Caribbean countries to promote “the merits of free trade in general, and the FTAA in particular,” and that Canada should “take on a ‘champion’ role regarding the FTAA.” We believe that Canada and indeed all nations must listen carefully to the views of civil society with regard to international trade, rather than simply taking the advice of corporations seeking only to increase their bottom line. A propaganda campaign of the sort implied in the recommendations of the Report would only prejudice the government’s response to the voices of civil society, and so this recommendation should be abandoned.
- Reflecting the views of many witnesses, the Report recommends that Canada seek not to include investor-state provisions such as NAFTA’s infamous Chapter 11 in the FTAA, or any future FIPAs. My New Democrat colleagues and I support this recommendation, having seen the devastating effects it has had on the sovereignty of all three partner countries in NAFTA. However, even without investor-state provisions, FTAs pose a serious threat to national sovereignty and democracy. For this reason, we believe it is imperative to include provisions in any international trade agreement which allow for meaningful parliamentary oversight of the operations and decisions of the agreement’s administrative body.

These are the key areas in which we believe the report should be strengthened. Our fundamental concern is with the erosion of democracy, as power is transferred from elected representatives accountable to the public, to corporate boardrooms accountable only to shareholders.



# MINUTES OF PROCEEDINGS

Thursday, June 6, 2002  
(Meeting No. 88)

The Standing Committee on Foreign Affairs and International Trade met at 9:13 a.m. this day, in Room 371, West Block, the Vice-chair, Bernard Patry, presiding.

*Members of the Committee present:* Aileen Carroll, Stockwell Day, Mark Eyking, Stan Keyes, Francine Lalonde, Hon. Diane Marleau, Keith Martin, Pierre Paquette, Bernard Patry.

*Acting Members present:* Alan Tonks for Sarkis Assadourian; Mac Harb for John Harvard; Ovid Jackson for Pat O'Brien.

*In attendance: From the Parliamentary Research Branch of the Library of Parliament:* Gerald Schmitz, Research Officer.

*Witnesses: From Carleton University:* Laura MacDonald, Professor of Political Science and Director of the Centre for North American Politics and Society. *From the Canadian Foundation for the Americas (FOCAL):* Donald MacKay, Executive Director; Stacey Wilson-Forsberg, Policy Analyst. *From the Canadian Institute for International Affairs (National Capital Branch):* George Lindsey, Chair, National Missile Defence Study Group; Keith Greenaway, Member, National Missile Defence Study Group; F.R.Cleminson, Member, National Missile Defence Study Group.

Pursuant to Standing Order 108(2), the Committee resumed its Study on North American Integration and Canada's Role in the Light of New Security Challenges (See *Minutes of Proceedings*, Thursday, October 2, 2001).

Laura MacDonald, Stacey Wilson-Forsberg made statements and with Donald MacKay answered questions.

At 10:12 a.m., Mac Harb presented the 12<sup>th</sup> Report (Strengthening Canada's Economic Links with the Americas) of the Sub-Committee on International Trade, Trade Disputes and Investment.

On a motion of Pierre Paquette, it was agreed, — That, in view of its inconsistency with recommendation 22 of the Sub-Committee's 11<sup>th</sup> Report (Building an Effective New Round of WTO Negotiations: Key Issues for Canada), Recommendation 21 be redrafted and an amended consistent text be submitted to the Clerk of the Committee.

It was agreed, — That the Committee adopt the 12th report of the Sub-Committee on Trade, Trade Disputes and Investment, as amended, as a Report to the House;

— That, pursuant to Standing Order 109, the Committee request that the Government table a comprehensive response to this report.

— That the Chair be authorized to make such typographical and editorial changes as may be necessary without changing the substance of the report.

— That, pursuant to Standing Order 108(1)(a), the Committee authorize the printing of brief dissenting and/or supplementary opinions as appendices to this report immediately after the signature of the Chair, that the opinions be sent to the Clerk of the Committee by electronic mail in both official languages on/before noon, Monday June 10, 2002.

— That the Chair or her designate be authorized to present the Report to the House.

At 10:20 a.m., the Committee resumed its study on North American Integration and Canada's Role in the Light of New Security Challenges.

The questioning of the witnesses resumed.

At 10:37 a.m., the sitting was suspended.

At 10:48 a.m., the sitting resumed.

George Lindsey made a statement and with F.R. Cleminson answered questions.

At 11:52 a.m., the Committee adjourned to the call of the Chair.

Stephen Knowles  
Clerk of the Committee