

Short on vision: Canada's foreign policy for the new Latin America

NO LONGER THE MIDDLE POWER: COMPETING STRATEGIES

Canada's foreign policy toward Latin America for the past couple of decades has had a variety of purposes. On the domestic political front, it was for the Liberal governments of the 1990s a symbol and an experiment to export their dual sympathies for neoliberal economics and progressive politics. On the economic front, it was at the vanguard promoting the most profitable internationalization of Canadian companies in banking, services, and mining, as well as a (ultimately failing) search for export platforms into the US market. On the international political front, it represented the gradual acceptance by Canada's governing elites that this country was no longer a middle power with global reach. It was rather an intermediate industrialized country seeking to cope with the ascendance of East Asian emerging powers and a changing global economy, moving away from Western (US) hegemony. That acceptance translated into gradually embracing bilateralism to employ North-South asymmetries for economic gain.

Latin America has also moved on in these past two decades from a consensus on electoral democracy and neoliberal economic reforms, to a plurality of models arching from the tropical socialism of Hugo Chávez, to the business-as-government progression in Chile. Foreign relations have therefore evolved from a search for pylons on which to anchor neoliberal reforms via free trade agreements and foreign investment treaties, to a pursuit of informal, ad hoc treaties and country-to-country deals that seek to firm up export markets for natural resources and other commodities.

Very high commodity prices and the heightened competition from China plus other East Asian countries in manufacturing have forced Latin America to return to their past role as commodity

BY PABLO HEIDRICH

Pablo Heidrich is a senior researcher at the North-South Institute, Ottawa.

Canada's foreign policy toward Latin America for the last couple of decades has had a variety of purposes.

exporters. The fickleness of these commodity booms is what triggers the search for flexibility and multiplicity in export agreements and the move away from more rigid free trade or investment agreements.

THE HARPER FOREIGN POLICY RE-EVALUATION

Prime Minister Stephen Harper, ably combining populist and conservative tones, stated his government's desire to break down the disconnect between Canadian "elitist and pretentious" foreign policy and the national interest. He chose Latin America as a priority, rather than Africa, as was preferred by the previous Liberal administration, to be the central area of foreign policy toward the developing world. His three tenets: "shared prosperity, democratic governance, and security for all" also sought to satisfy a set of broad policy goals.

Despite his criticism of past Liberal policies, he implicitly confirmed many of the same objectives followed by the previous Liberal administrations—namely, the pursuit of economic interests where Canadian reach could be only regional and no longer global, while sprinkling it with a rhetoric that would appeal to his Conservative core supporters. His many critics have pointed out that Canada is leaving out a historical

commitment to Africa and Eastern Europe, and bypassing East Asia with its large economic opportunities.

LOW-COST BILATERAL TRADE AGREEMENTS: THE NEW PRIORITY

In fact, the Harper administration's "Strategy for the Americas" is rather low-cost and unambitious in its approach. Most of its attention has been on actually continuing the Liberals' promotion of free trade agreements, signing new treaties with Peru in 2009, and Colombia and Panama in 2010, while negotiating another one with four Central American countries (Guatemala, Honduras, El Salvador, and Nicaragua). That is pretty much the only real column supporting the "shared prosperity" tenet, with side agreements on labour and environment, again replicating the last of the Liberals treaties in the region. An emphasis on corporate social responsibility, softly cushioned by non-compulsory standards and a toothless framework, completes the structure.

The low-cost qualification arises from the limited choice of partners with whom to deal within the region. Bolivia, Peru, Colombia, and Honduras are the only ones being considered for bilateral aid flows, and political dialogue is limited to some of these plus Chile, Mexico, and Costa Rica. While the case for aid to Bolivia and Honduras could easily be made, because they are among the poorest countries in the hemisphere, the other two are middle-income countries, making them much less in relative need for it. Besides, the new themes selected for Canadian aid are fairly narrow—food security, child and youth health, and technical job training—almost precluding, by design, any chance of making aid significant there, it is currently at \$100 million per year for all four countries together, or 3 percent of total Canadian aid.

Short on vision, page 22

SHORT ON VISION AND NOT VERY PRAGMATIC

The political dialogue, arguably, could have been influential, but so far, there is not much to show for it. Canada was clearly isolated in the last Summit of the Americas in 2009 while advocating for more free trade and less business regulation. Not even one of those dialogue and aid partners supported it. That isolation has grown with the quick Canadian recognition of the government arising from the 2009 coup in Honduras, something strongly opposed by all these countries. That last issue has driven Prime Minister Harper's democratic governance tenet into the ground as far as most Latin American country governments are concerned.

Thus, making a policy strategy that has such restricted instruments, aid for just a few countries and on narrow areas, plus dialogue only with supposedly like-minded governments (obviously less like-minded than Ottawa expected), has not taken Canada very far at all in the region. The inability to make an attractive policy offer or even promote a common vision is however, what has hindered it most.

The apparent lack of courage to be more pragmatic and engage in dialogue with seemingly less like-minded governments demonstrates a rather outdated understanding of Latin American foreign relations today, where pragmatism and a truly global capacity to engage with others is the strongest common characteristic. In contrast to Canada's stern self-dictated limitations, Colombia's right-wing government is negotiating a free trade agreement with Communist China,

In fact, the Harper administration's "Strategy for the Americas" is rather low-cost and unambitious in its approach.

Argentina's seemingly populist Néstor Kirchner maintained very good personal relations with the Bush administration in the United States, and Brazil engaged the entire Middle East for a conference to promote closer economic and political cooperation.

FOREIGN POLICY AS BUSINESS RISK INSURANCE

What explains such political thriftiness is that Canadian foreign policy toward Latin America remains, at its core, an exercise in business risk insurance. Just as in previous Canadian government ventures in the region, a lack of depth in understanding Latin American current affairs leads to perilous dependency on fairly narrow Canadian business interests with investment or trade opportunities in the region defining policy.

The largest achievement of this Latin American foreign policy is, after all, the 14 bilateral free trade and foreign investment protection agreements signed there. This number is more than with any other region of the world and in evident

disproportion to Canadian investments and trade there. The nature of the investments, 70 percent concentrated in just two industries, mining and banking, and in only a dozen Canadian firms is what provides the obvious answer. These two industries have in common that much, if not all, of their profitability depends on national regulatory frameworks, unlike the cases of manufacturing or agriculture. Besides, expropriation risks are fairly high as mines and banks can easily be nationalized.


DOING MORE AND BETTER

The choices then are clear for Canada if it wants to develop a comprehensive policy toward Latin America. It can continue its current path, unambitious and commercially oriented. Alternatively, it can strive to influence that region with a positive agenda that includes some of the main developmental aspirations of Latin America. After all, the challenges there are very similar to Canada's: how to succeed in a global economy that wants its natural resources and how to use those proceeds to create just, equitable societies.

Negotiation of trade and investment agreements are much less relevant today when many regional initiatives are under way. In contrast, domestic debates on the roles of state and businesses continue to hold centre stage, and indeed have become the real driving force behind policy changes in Latin America. An effective Canadian contribution to those discussions would certainly demonstrate that Canada has finally understood what the new Latin America is all about. 

The post-neoliberal mix continued from page 20

some parts of the economy, particularly in the resources sector, and greater citizen engagement and inclusion of the poor in decision making. In contrast to the market fundamentalism of the Washington Consensus years, these experi-

ences reflect the importance of democratic governments seeking a balance between the excesses of the state and the market, and policies that respond to each country's diverse circumstances and requirements. 

Learn more about
Canada Watch and
the Robarts Centre for
Canadian Studies at
www.yorku.ca/robarts