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Next steps for the hemispheric trade strategy

By Phil Rourke

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Canada's bilateral trade negotiation strategy in the Americas has been modestly successful, but we need to shift gears. The country's experience with Chile suggests that narrowing the agenda and building on early successes will bring longer term results.

The trade development dimension of Canada's Americas strategy has been focused on completing existing bilateral negotiations and increasing the number of new bilateral trade agreements across the region. To date, Canada has signed deals with Peru, Colombia and Panama, and one with Honduras is increasingly likely.

None of the economic gains made with these deals will increase annual trade volumes to an amount comparable to even a few hours of commerce between Canada and the United States. But improved access for some goods, better investment protection and more access for our services (especially banking) do matter to the Canadian companies interested in these markets.

Our experience with Chile in the 1990s suggests that Canada's bilateral trade strategy is most successful when Canada and its negotiating partner are both pursuing narrow commercial interests bilaterally, and broader strategic interests in their relations with the rest of the world.

In the Canada-Chile negotiations, Canada's main economic interest was to improve foreign investment protection measures in the Latin American country and address some minor market-access issues. We also had a broader strategic reason to engage: after being put on the defensive in the NAFTA negotiations, Canada wanted to expand its network of bilateral trade deals independent of the United States.

Chile also had some clear commercial interests to pursue. But as the Centre for Trade Policy and Law found through interviews with Chilean officials who were involved in the negotiations, the real objectives were strategic: to demonstrate to the international community that Chile was open for business, and to raise American interest in a similar bilateral deal.



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Looking at Canada's trade development strategy for the Americas, the same dynamics help explain why some bilateral negotiations have been more successful than others.

A bilateral deal with Colombia, for example, was an opportunity to get access for our beef, pork and grain producers, similar to that which the US had successfully negotiated. A bilateral trade deal also fit strategically with Canada's focus on the Americas.

Colombia also had narrow commercial objectives, especially for its flower growers. And as with Chile, they too wanted to improve their international image and get the attention of the United States.

Peru, Panama and Honduras have also since pursued deals with Canada. In all cases, the broader strategic imperative kept them interested in a bilateral deal with Canada because it provided a rationale for engagement beyond the relatively minor commercial gains that would be achieved.

The absence of a strategic imperative on both sides is the common denominator in trade negotiations that have stalled, including the Dominican Republic, Nicaragua, El Salvador, Guatemala, Ecuador, Bolivia and the Caribbean Community. This also explains why Canadian efforts to bring Brazil to the negotiating table have so far not been realized.

For Mexico, the debate over whether to deal with issues either bilaterally or trilaterally under NAFTA has been overtaken by Canada's perimeter initiative with the United States. We now need to consider our economic relationship with Mexico within this context.

Going forward, Canada should adopt a targeted approach to help our trade agreement partners implement their obligations. The priority should be on clear market access improvements that coincide with commercial interests. This will produce some quick wins for business, thereby keeping governments and business interested.

There should also be an increased focus on investment-related issues. Trade follows investment. By focusing on the drivers of expanded trade, we have a better chance of seeing longer term gains.

But we need to look beyond trade statistics when evaluating success. In an integrated world economy in which goods travel across borders in many different directions and configurations, trade numbers by themselves don't mean very much. A better measure of success is the extent to which trade agreements solve practical problems for business and serve as a catalyst for their integration into global value chains.

Finally, we need to consider alternatives to comprehensive free trade negotiations as an engagement strategy with CARICOM. The commercial rationale for such negotiations has always been weak and the market-access problems that exist do not necessarily require a comprehensive trade agreement.

A sectoral-based approach with more narrowly-defined measures of success would address capacity constraints on the CARICOM side and may be more politically feasible in the region. This approach would require a waiver of WTO obligations and that's certainly not assured. But supporters of the Doha Round's conclusion are now arguing that some trade liberalization is better than none. The same case can be made here.

Phil Rourke is executive director of the Centre for Trade Policy and Law, which is co-sponsored by the Norman Paterson School of International Affairs at Carleton University and the Faculty of Law at the University of Ottawa.

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