

The NAFTA, after all, binds together the most prosperous and dynamic subregional area of the Americas, representing the group most committed to comprehensive economic integration and co-operation.

In this regard, the first order of business is the recently launched negotiations on Chile's accession to the NAFTA, an objective that Canada has strongly supported over the last two years. The new partnership with Chile will bring the obvious improvements in mutual access to our respective markets and will ensure that trade and investment relations are conducted at a higher level of security and openness.

Nonetheless, the seminal importance of the negotiations with Chile is not found in this traditional rationale, regardless of its continuing importance.

More critically, Chile is the test case of the capacity of the NAFTA, through its accession clause, to affirm itself as a dynamically outward-looking instrument with perhaps the central role in achieving hemispheric free trade by 2005. Put another way, if the NAFTA countries and Chile can get the latter's accession right, our credibility with regard to achieving hemispheric free trade is considerably enhanced.

But if we get Chilean accession wrong, if this process is derailed, then the most dynamic force behind the broader 2005 project will be lost, at least over the medium term. The momentum would pass to those promoting a more modest and exclusionary South American free trade area.

On economic grounds, Colombia and Argentina could be prime candidates for NAFTA accession after Chile. They enjoy a solid and sustained macro-economic and exchange-rate track record and have balanced and dynamic export sectors. Their entry into the NAFTA with the full range of NAFTA rights and obligations would represent clear, concrete steps toward strengthening the Agreement, while helping to create the momentum needed to kick-start real FTAA negotiations with others in the hemisphere.

Most ambitiously but most necessarily, we must also begin to focus sharply and honestly on the central relationship that will make or break the broader FTAA initiative - the link that must be constructed between the NAFTA countries and their Mercosur counterparts led by Argentina and Brazil. The countries that form these two groupings comprise the bulk of the hemisphere's production, trade, investment and population.

The Senate Committee on Foreign Affairs recently expressed the concern "that Brazil's intention to create a South American Free Trade Area could lead North and South America to solidify into two separate exclusionary free trade areas. We believe that