

market-place. Accession also provides a high profile, high quality endorsement of the trade and economic policies in place in Chile, thus increasing the likelihood that the international community will continue to view Chile as a good site for investment. Accession will help to lock-in reform efforts in Chile by linking these policies to mutually binding obligations enforced through an international treaty.

For Canada as well, there are benefits. With only 14 million people, Chile is not likely to become more than a modest, although increasingly interesting, niche market for Canadian traders (exports topped just \$300 million in 1994). Nonetheless, the elimination of Chile's 11 percent import duty on, and certain non-tariff barriers affecting, North American products will open up new opportunities. In addition, Canadian firms have invested heavily in Chile since the mid 1980s, with a stake of approximately \$2 billion to date and another \$3-4 billion in various stages of planning. This presence makes Canada the largest source of foreign investment in the Chilean mining sector and the second most important foreign investor overall after the U.S., with interests also established in banking, communications and the energy sector. Although Chile's investment regime in practice is transparent and non-discriminatory, accession to the NAFTA will provide Canadian share-holders with additional formal guarantees against any future back-sliding toward discriminatory practices - a kind of insurance policy.

Reflecting its solid domestic economic record, moreover, Chile has also established a well-deserved reputation for having a creative, market-based trade policy that in many ways parallels policies promoted by Canada. Consequently, Chile will be a welcome addition to the NAFTA. Chile and Canada should be able to work closely in further deepening the rule-making within the free trade area to achieve even more secure access to the U.S. and Mexican markets (further discipline on the misuse of anti-dumping law is a prime example).

But the seminal importance of the negotiation with Chile lies with none of these reasons. More critically, Chile is the test case of the capacity of the NAFTA, through its accession clause, to re-invent itself into a dynamically outward-looking instrument with a central (perhaps the central) rôle in achieving hemispheric free trade by 2005. Put another way, Chile is the test case that will take the true measure of the credibility of North American and particularly U.S. trade policy vis-à-vis Latin America.

In this regard, the next critical step is the ability of the U.S. Administration and the Congress to craft and implement a broadly non partisan bill providing the former with appropriate negotiating authority. Such "fast-track" authority will permit the relatively clean, expedited approval of the implementing legislation that will eventually