Canada should, therefore, take the initiative and actively reach out to these countries by establishing a regular trade policy dialogue at the senior officials' level that emphasizes the benefits of acceding to the NAFTA, rather than establishing a cumbersome and restrictive hub-and-spoke relationship. This approach would not exclude exploring the possibility of accession with selected Pacific Rim countries, including Korea and Australia.[4]

4.3 Investment Capital Support

Apart from trade, what Latin American countries most need in the economic realm is patient investment capital.

Former U.S. President Bush's "Enterprise for the Americas" initiative led to the creation of two new investment-related programs administered by the Inter-American Development Bank: a) the Investment Sector Loan Program, a new sectoral loan program to provide technical advice and support for privatization and liberalization of investment regimes; and b) a Multilateral Investment Fund, a projected $1.5 billion multilateral investment fund supported by the U.S., the EU and Japan. While the latter is important, policy reform is arguably more central than cash. Investment, like trade, develops best when rules are transparent and followed in practice. Canada should provide technical and financial support (see below) through the Investment Sector Loan Program to underpin investment reform efforts in the region.

For the most part, tax and investment treaties between Canada and the Latin American countries do not exist. We have signed Foreign Investment Protection Agreements (FIPAs) with Uruguay and Argentina, and the NAFTA extends an even broader range of disciplines to Mexico. We have double taxation treaties with Brazil, Guyana and Mexico. These agreements enhance the security of growing Canadian investments in the region. These investments not only improve the overall profitability of Canadian-based companies, but assist them in opening markets to incremental exports from Canada through intra-firm trade and other mechanisms. It is recommended that priority be given to identifying other regional partners with which we should negotiate such agreements (including through accession to the NAFTA where appropriate). The negotiation of these additional instruments should be concluded within two years. The implementation of such instruments on a bilateral basis will help to prepare the way for accession to the NAFTA.[5]

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[4]This proposal is more fully explored in Keith H. Christie, The Day After: An Agenda for Diversifying Free Trade, Policy Staff Paper No. 94/4 (January 1994).

[5]Given the likelihood that NAFTA accession negotiations with Chile will begin later this year, a FIPA with that country is not needed at this time. The focus now could usefully be directed at Venezuela, Colombia and Brazil.