

FTAA process as much as possible while it builds a negotiating coalition centred on Mercosur. It is currently working hard to extend Mercosur — which includes Argentina, Paraguay, Uruguay and associate members Bolivia and Chile. Since 1993 it has promoted a South American Free Trade Area (SAFTA) that, it argues, would provide the political clout for a more balanced FTAA negotiation. In the meantime, Brazil's government has been able to secure the role of co-chair (with the US) of the final, crucial phase of the FTAA negotiations, scheduled for 2004.

Brazil's fight against the inclusion in the FTAA of labour and environmental standards, which it sees as non-tariff barriers, complements its go-slow strategy. Of course, if these issues are eventually excluded, FTAA advocates, particularly in the US and Canada, will have much more difficulty selling the agreement to unions and the environmental lobby. President Clinton's reference to Brazilian labour practices in his remarks in Seattle provoked anger in a country that has liberalized considerably in recent years, and almost certainly reinforced Brazil's opposition to the FTAA.

Since joining the NAFTA process in 1990, Canada has been strongly committed to expanding the liberalized North American trade regime to the entire hemisphere. We successfully pushed for an accession clause in the NAFTA treaty. We tried hard to get Chile on board and, when Congress refused the Clinton administration fast-track authority for Chilean accession, we signed our own NAFTA-grade bilateral agreement with the Chileans. And we have been the most consistent and energetic supporter of the FTAA process, both in its preparatory phase (1994-1998) and since the formal launch of negotiations at the April 1998 Santiago Summit of the Americas.

There appear to be five overlapping rationales for this Canadian stance.

- *The all-out liberalization strategy.* This strategy assumes that Canada can only benefit from the extension of trade liberalization — which should therefore be pursued wherever, and with whomever, it can advance most quickly. If regional agreements are easier to negotiate and cover a wider range of topics than global ones — if, in short, the Americas can liberalize faster than the rest of the world — Canada should cash in on that potential.

- *The proactive diversification strategy.* This is a throwback to the old Canadian dream of greater diversification in trading partners. After NAFTA, trade dependence on the US is higher than ever, which makes Canada's economy acutely vulnerable to the policies and market whims of its southern neighbour. An FTAA — a Third Option in a new guise — may deliver at least some trade diversification.

- *The continental bloc strategy.* This rationale emphasizes the two basic advantages of regional blocs in a global trade game. If the global process were ever again paralyzed, as it was in the 1980s, the spectre of a powerful Western Hemispheric free trade area could nudge the rest of the world, in particular the Europeans and Japanese, into showing more flexibility. Moreover, if there were ever a global trade war or even just an inter-bloc one, a big regional bloc would offer a large enough market to "retreat to."

- *The defensive anti hub-and-spoke strategy.* This rationale for an FTAA is more strictly defensive, and derives directly from Canada's NAFTA experience. After signing the *Canada-US Free Trade Agreement*, Canada faced the possibility of a "hub-and-spoke" trade structure in North America. The US, which was already negotiating with Mexico, stood to become the only one of the three countries with access to all three markets and, consequently, the most appealing one for investors. Motivated mainly by this defensive concern, Canada requested, and was granted, a seat at the NAFTA negotiating table. A similar danger could reemerge on a hemispheric scale if the US were to negotiate bilateral agreements with its hemispheric partners. What better way to avoid this than to take the lead in a multilateral FTAA?

- *The building-a-reputation-in-Latin America strategy.* This perspective has its roots in Canada's late discovery of its own neighbourhood: We joined the OAS only a decade ago. Having committed ourselves to the hemisphere, we are anxious to become a significant player and to support the process of liberalization and democratization currently underway. Our hemispheric interlocutors see Canada as less threatening than the US, as an honest broker and helpful fixer.

These various justifications for the FTAA require careful scrutiny. To begin with, there are obvious tensions amongst the liberalization, diversification and continental bloc strategies. If the FTAA does come to be, and global talks stall in the longer term, or (worse) there is a rise in trade tensions between the United States and the EU, this confrontation of fortresses would leave Canada even more North-Americanized than it is now. Unlike Mexico, Canada has no serious preferential access to European markets, a reality the current negotiations with the EFTA countries will not change. Canada therefore should make every effort to ensure that the US or any other bloc leaders never play the trade-bloc card. Compared to the potentially devastating implications of such an all-out trade war, the dangers of a US-centred hub and spoke structure in the hemisphere are minor.

Second, it is by no means clear that at this juncture the countries of South and Central America are able

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