Moreover, since many Canadian products shipped to the United States eventually end up in other countries, our trade with the US tends to be overstated and our trade with other countries correspondingly understated. On the other hand, any reasonable correction factor — say 20 or even 30 per cent — would still leave the region a minor economic partner for Canada.

This impression is reinforced by a look at the evolution of investment since 1970. Canada's investment position in LAC has advanced at a healthy pace in recent years. Yet, despite significant growth since 1989 (22 per cent a year on average), the non-US Americas have not yet regained their 1970 share of Canada's global investment portfolio. Moreover, more than half of the stock of Canadian investments in the region is concentrated in a few Caribbean banking centres (namely, the Bahamas, Barbados and Bermuda). Leaving those countries aside, investments in the region represent just six per cent of Canada's foreign direct investment abroad — less than half its 1970 share. Again, care has to be taken with the data, the collection of which relies significantly on voluntary disclosure by investors. If anything, however, this causes an underestimate of the extent to which Canadian investment in the region is in the financial havens.

Beyond the trade and investment numbers, a deeper reality has been developing over the last 20 years: Canada is now more tightly integrated into the North American economy than ever before. This integration transcends trade relations and is in fact primarily based on investment strategies and industrial structures that consider North America as a single unit. The most important manifestation of this connection is the prominence of intra-firm exchanges in Canada-US-Mexico trade, particularly in the automobile industry. There are few indications that this North American economic unit is likely to expand south beyond Mexico; it will certainly not do so over the next decade. Canada is now part of a North American financial and industrial unit that includes the US and Mexico, but no one else. For better or worse, NAFTA has an economic basis that an FTAA utterly lacks.

The background is not complete without a look at Latin America's potential, since the FTAA promises "access to a market of 800 million people, with a combined GDP of $15 trillion." This image of massive size, which Canadian government documents use *ad nauseam*, is utterly misleading: The US accounts for almost 40 per cent of the hemisphere's population, and more than 75 per cent of its GDP. On their own, the three NAFTA countries have about half the hemisphere's population and more than 80 per cent of its GDP. What the FTAA would add to NAFTA is closer to 400 million people and $2.4 trillion of GDP. That's big, but hardly what is advertised. Moreover, half the new market is made up of Brazil — the country least enamoured of an FTAA — and more than 70 per cent is Mercosur, the trade group Brazil leads.

President George Bush proposed a free trade area from Alaska to Tierra del Fuego at the end of the 1980s, a time marked by serious competitive tensions among the world's largest economic powers and a deadlock in the negotiations for global trade liberalization. The original logic of the modern FTAA was that of a Fortress America to oppose Fortresses Asia and Europe. The context in which this original proposal made sense was profoundly altered by the successful conclusion of the Uruguay Round in 1993. The problems in Seattle notwithstanding, the establishment of the WTO has put to rest the prospect of the division of the world into three warring trade blocs. In this new context, there is really very little need for further liberalization at the hemispheric level — the best evidence of which is the relative lack of interest in free trade in the United States, and in most of the hemisphere's countries and even corporate sectors.

For Latin America and the Caribbean, interest would grow markedly if the United States were willing to open up its huge market. Free access to US consumers, especially for agricultural products, is the ultimate prize and, from LAC's standpoint, the most important reason to play the hemispheric trade game at all. The problem is that, with the US trade deficit running at around $300 billion a year, there seems to be little stomach in Washington for further liberalization

Access to the US market is also at the root of resistance to the project from the two most important Latin American countries, Mexico and Brazil. With NAFTA, Mexico got guaranteed access to the US market, and it paid dearly for it, with a massive restructuring of its economy and a liberalization of financial markets that left it powerless to resist an assault on its currency during 1994's peso crisis. From Mexico's perspective, an FTAA would mean sharing this prize, without getting much in return. Mexico already has its own free trade agreements with most of Central and Latin America and it has just concluded an agreement with the European Union. No wonder its government has not been enthusiastic about the FTAA.

For its part, Brazil does not have free access to the US market. This lack of access, particularly for a few key agricultural products, is something it complains loudly about. But the rules of the FTAA game are not advantageous to Brazil. The US holds the trump card of market access. A credible US commitment to play that card would likely bring most countries on board. Those with special grievances, such as Brazil, would be isolated, but even so would have a strong incentive to sign on. Hence Brazil's strategy is to slow down the

On their own, the three NAFTA countries have about half the hemisphere's population and more than 80 per cent of its GDP. What the FTAA would add to NAFTA is closer to 400 million people and $2.4 trillion of GDP. That's big, but hardly what is advertised.

2 of 4