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TO EXPAND NAFTA

Andy Clark/Reuters/Bettmann



From left to right, the four amigos: U.S. President Bill Clinton, Canadian Prime Minister Jean Chrétien, Chilean President Eduardo Frei and Mexican President Ernesto Zedillo, after the announcement that Chile would be welcomed into NAFTA.

At the conclusion of the Miami Summit of the Americas on December 11, Canadian Prime Minister Jean Chrétien announced that Chile had been invited to join the North American Free Trade Agreement (NAFTA).

Flanked by the leaders of the United States, Mexico and Chile, he said, "For one year now, we have been the three amigos. Starting today, we will become the four amigos."

Chile's accession to NAFTA will help pave the way for other countries to join, the Prime Minister said, and expansion of trade throughout the hemisphere will lead to increased prosperity and the elimination of poverty. Canada has worked for the past year to convince the U.S. of the benefits to all the partners of an expansion of NAFTA.

Canada's Trade Minister Roy McLaren said in a November speech to the Halifax Board of Trade that "NAFTA was conceived originally not as a closed or inward-looking bloc but as an open, dynamic arrangement—an association of countries willing to move further and

faster toward the goal of free trade. Canada joined the NAFTA in the expectation that it would remain...an agreement fundamentally open to all countries prepared to accept its common rules and its disciplines."

The Miami Summit, Mr. McLaren said, represented "an opportunity to articulate an overarching trade and investment policy for the Americas—a larger, bolder vision that could serve to overwhelm more parochial and divisive concerns and avoid a welter of conflicting trade rules and practices."

Preparatory talks between Chile and its prospective trade partners will begin in January 1995, and full-scale negotiations will start no later than May. It is hoped that Chile will become part of NAFTA by the beginning of 1996.

"Chile is prepared for this negotiation," said President Eduardo Frei. "It will open up a huge horizon of opportunity for our country. This agreement also should unleash an historical process for the entire hemisphere."

The 34 nations present at the Miami Summit agreed to work towards the

creation of a free-trade zone from the Arctic to Argentina by 2005. There are many existing free trade agreements in the hemisphere, including NAFTA, and negotiations will initially focus on harmonizing them. Trade ministers from the member countries of the Organization of American States will meet before the end of May to analyze existing trade agreements to see where compatibility exists.

Because of its economic and political stability, Chile was widely considered the Latin American country most ready to join NAFTA. It has transformed its economy in recent years by controlling inflation, privatizing state-owned industries and dropping barriers to investment, and now has one of the most dynamic economies in the hemisphere.

President Bill Clinton said that "Chile will be an ideal partner. This agreement is proof of our serious intention to complete the Free Trade Area of the Americas within 10 years."

Canada already has strong economic ties to Chile. It is that country's second largest source of foreign capital with commitments for more than \$4 billion of investment, mostly in the mining sector. Two-way merchandise trade between Canada and Chile totalled \$421 million in 1993, an increase of 18 per cent over 1992.

Canadian trade with the 17 countries of Central and Latin America has increased rapidly in the last few years, reaching \$10.3 billion in 1993.

In 1994, the first year of the NAFTA agreement, Canada's trade with the U.S. increased by 12 per cent after nine months over the same period in 1993, and its trade with Mexico increased by 21 per cent.

As part of an effort to expand Canada's economic and political relations with Latin America, the Prime Minister will lead a business delegation to six Caribbean and Latin American countries, including Chile, Brazil and Argentina, in January.

All figures are in Canadian dollars. The official noon exchange rate on January 10 was US\$1 = C\$1.4125.