

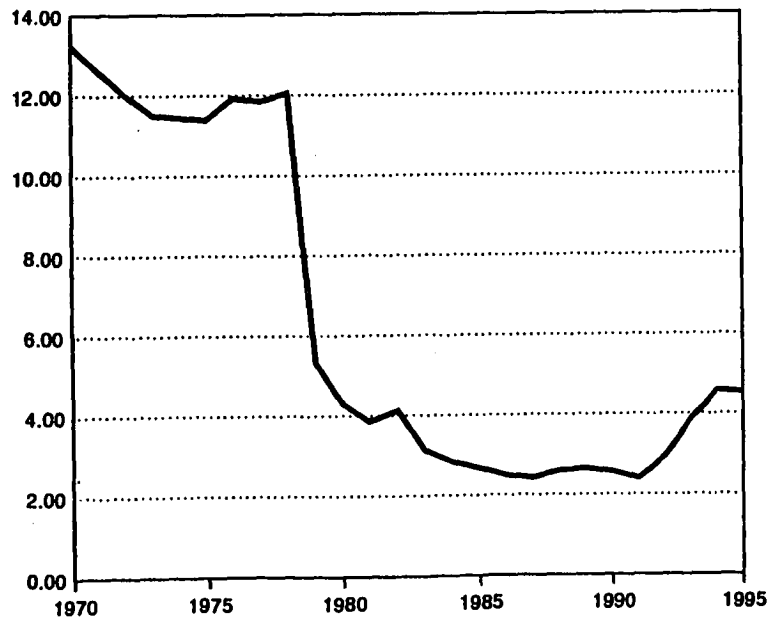
to happen—would develop along NAFTA expansion quickly dimmed and then just disappeared.

Perhaps even more shocking, the other assumptions of the post-1990 policy also appeared to be crumbling: Canadian trade did not diversify following the establishment of NAFTA, and the rules-based regime of NAFTA did not appear to be enough to contain US unilateralism; the FTAA process had a hard time generating support among key players, especially the United States and Brazil; the OAS proved to be much harder than expected to nudge towards change; and the region as a whole, in spite of the huge progress realized in the last decade, still needed to confront a significant number of fundamental problems before any guarantee of economic and political stability could be given.

A potential disjuncture has opened between Canada's political and economic relations in the Western hemisphere beyond North

Figure 11.1

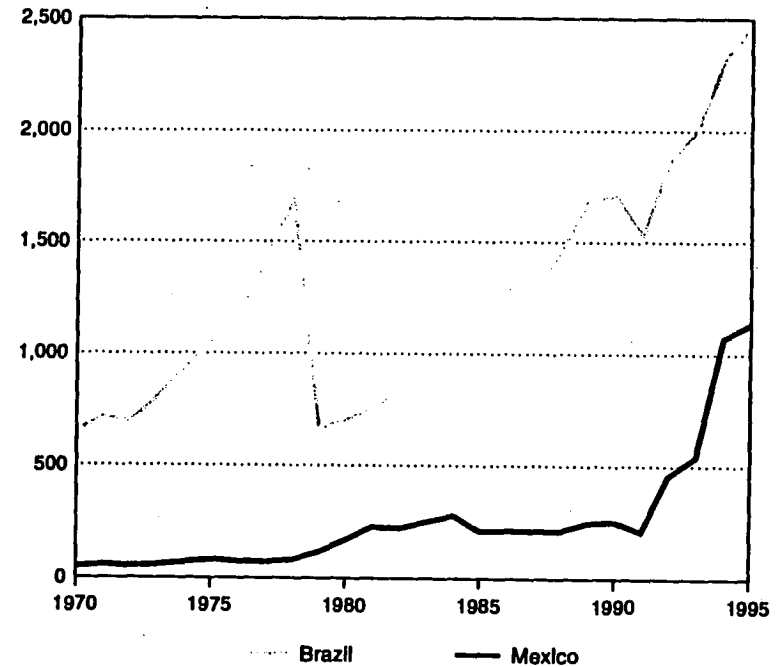
Investments in South and Central America
(change in book value, % of world total)



Source: Statistics Canada, CANSIM Series D65221 and D66107, 28 Dec. 1997.

Figure 11.2

Canadian Direct Investment in Brazil and Mexico
(change in book value, millions of \$, 1970-1995)



Source: Statistics Canada, CANSIM Series D66108 and D66105, 28 Dec. 1997.

America. The Latin American strategy can be credited with success in political terms; Canada has never been as much part of the hemispheric family as it is today. Diplomatic activity, high-level visits, large business delegations, involvement in the OAS, dialogues on security issues, educational linkages, and so on are well established compared with the 1980s. Yet all these activities appear to be floating in thin air, as an economic basis has yet to develop to ground this flurry of political activism into tangible mutual material interests. In spite of much efforts and rhetoric, Latin America and the Caribbean, beyond Mexico and Chile, have not yet become significant economic partners (Saéz, 1997). In relative terms compared with 1980s, both exports and investment in Latin America have fallen