Canada’s Recent Trade Engagements in the Americas

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In 2007, the new Conservative government of Stephen Harper identified Latin America and the Caribbean as a leading priority in the articulation of Canadian foreign policy. More recently, the Harper government has laid out a Global Commerce Action plan that also identifies the Americas as a priority for Canada’s foreign policy. A defining feature of Canada’s engagement with Latin America in recent years has been the signing of a series of preferential trade agreements (PTAs). In PTAs (also often known as free trade agreements or FTAs), which may be either bilateral or multilateral (often regional), signatories agree to remove barriers between them on a reciprocal and quid-pro-quo basis (Dent 2009: 461).

Canada's deeper economic engagement with the countries of the Americas began with its 1994 signing of the North American Free Trade Agreement (NAFTA), which extended Canada’s PTA with the United States to include Mexico. More recently, Canada has ratified PTAs in the Americas with Chile (1997), Costa Rica (2002), Peru (2009), Colombia (2012), Honduras (2013) and Panama (2013). Canada has more PTAs in the Americas than with any other region of the world (7 out of 12).

According the Department of Foreign Affairs, Trade and Development (DFATD) website, Canada remains committed to concluding ongoing trade negotiations with the Dominican Republic, the Caribbean Community and Common Market (CARICOM) and the Central America Four (CA4) countries of Guatemala, El Salvador, Nicaragua and Honduras (http://www.international.gc.ca/americas-ameriques/economic-economique.aspx?lang=eng). More recently, the Harper administration has explored membership in the Pacific Alliance, the trade bloc formed in 2012 that is currently composed of Chile, Peru, Colombia and Mexico.

This paper examines the motivations behind and implications of these multiple trade engagements. We argue that the economic logic of these agreements is weak. Most Canadian trade between Canada and Latin America is driven either by the North American Free Trade Agreement or by already-existing commodity and foreign direct investment linkages. As a result, these agreements are largely redundant in purely economic terms. Moreover, Canada is not yet prepared to move into the next generation of PTAs (like the Pacific Alliance) that include serious liberalization of the movement of people. We conclude, therefore, given the lack of strong economic motives, that the reasons behind policy are largely political and

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3 See Bagdish 1995 for a discussion of the terminology.
ideological rather than economic. We draw upon constructivist international trade theory to help explain this phenomenon. We also argue that Canada’s trade politics need to be understood within an analysis of broader changes in the region, particularly the decline of U.S. hegemony and the emergence of the so-called “pink tide” of New Left regimes. Canada’s motivations include an attempt to align itself with the remaining right-wing or centre-right countries of the region, a move that does not follow strictly economic criteria.

This analysis contributes to analysis of the motivations between recent preferential trade agreements (PTAs) between developed and developing states. It also contributes to our understanding of relations among centre-right or neoliberal states in the Americas in the context of a “post-hegemonic hemisphere” (Tussie and Riggirozzi). While there is a growing literature on the post-neoliberal turn in the region, there has been relatively little analysis of the new policies and strategies of states that remain committed to neoliberal policies, and which are positioning themselves in opposition to the post-neoliberal bloc(s). We begin the article with a discussion of the literature on Canadian trade policy and advocate a constructivist approach to understanding Canada’s strategy. This is followed by an overview of the evolution of Canada’s trade policy toward Latin America and an analysis of the (limited) economic impact of existing PTAs between Canada and Latin American countries. We then briefly discuss Canada’s contemplation of membership in the Pacific Alliance, a discussion that highlights Canada’s search for direction and isolation from the larger economies of the region. We argue that as an upshot of its current trade policy Canada will retain a limited capacity to influence Latin America’s trade architecture and development path.
Interpreting Canadian Trade Policy

Academic discussions of Canadian trade policy are, in general, remarkably atheoretical. As noticed by Chris Kukucha in a 2014 article in *International Journal*, most studies of Canadian foreign trade policy “lack theoretical analysis. When theory is engaged it is often done implicitly, and typically based on realist and neo-liberal interpretations of Canada as a principal, middle, or dependent power” (2014: 199). Theory is most developed regarding Canada's relations with the United States, where debates occur between liberal, neo-liberal institutionalist, dependency and Marxist positions. These debates are extremely important, given the extent of Canada’s economic relationship with the United States, but do not do much to illuminate trade relations with other parts of the world, relationships that are increasingly relevant in the context of the crisis of the U.S. economy and the rise of non-Western powers.4 Notably, even critical accounts tend to accept the idea that the motivation for trade agreements is primarily economic and rationalist in nature, although they base their critique on the idea that interests that benefit are those of a narrow group - corporate Canada - rather than those of society as a whole, as

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4 Kukucha does note some exceptions, including literature on globalization and foreign policy, federalism and international trade, and North American integration, and “alternative approaches” like the role of democratization and feminist analyses, including Macdonald (2003) and Sjolander (2003). He argues that the limited number of studies that examine the role of ideational factors in the policy process tend to be state-centric.
assumed in neo-classical theory. At the same time, critical approaches to Canadian foreign policy have to a large extent ignored the country’s international trade and economic policies in recent years. For example, two recent edited collections that adopt a critical perspective (Beier and Wylie 2010 and Smith and Sjolander 2013) include little or no analysis of these issues. Black and Smith (2014) also argue in their recent review of Canadian foreign policy literature that there is a noticeable turn to “positivist/mainstream” social science, partly in reaction against to the earlier “critical turn,” the influence of U.S. social sciences and the urgency of recent acute policy challenges, particularly the “war on terror”.

The weakness of theoretical analysis is not a problem limited to Canadian studies of trade policy, however. In general, analysis of trade policy is dominated by economistic and rationalistic accounts that emphasize comparative advantage and static gains from trade. As discussed by Kevin Gallagher, most neo-classical trade theory stresses the need to liberalize in areas in which a country currently enjoys a comparative advantage. This theory thus provides little guidance in the context in which countries need to develop new comparative advantages in higher value-added or more competitive sectors (2011:3). Insofar as politics are understood to be implicated in this decision, it occurs in the political contest between “winners” and “losers,” and when a treaty does not pass, a collective action problem is assumed to exist, “whereby the losses to the losers are seen to be highly concentrated but the gains to the winners are too dissipated” (2011: 3). Politics in this view is something that happens to impede the liberalization of economies, rather than an essential element of all state action and as much a part of the decision to liberalize trade as the decision to protect or restrain access to the economy.

Neo-classical trade theory developed in the context of the gradual expansion of the multilateral trading system, through various rounds of the General Agreement on Tariffs and Trade (GATT), culminating in the creation of the World Trade Organization (WTO). This theory has been the subject of extensive critique from structuralist and dependency authors. However during the 1980s and 1990s, it received strong support from the neoliberal policies of the IMF and World Bank, which pushed developing countries to open up their economies to trade in the context of the debt crisis.

Like other Washington consensus era policies, economistic and rationalist accounts ran into trouble, however, with the stalling of the process of multilateralism. Since the mid-1990s, the number of preferential trade agreements has increased almost exponentially to number over 270 by 2010 (Manger and Shadlen, forthcoming: 3) These increasingly take the form of bilateral agreements, a majority of which are agreements between developed and developing countries. Existing models provide little economic rationale for these agreements. In particular, the motivations for

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5 On the other hand, a series of extremely critical works have emerged in recent years from a Marxist perspective that denounce Canada's role in promoting Canadian mining interests, particularly in the Americas. See, for example, Deneault and Sacher 2012; Gordon and Webber 2008; Grinspun and Shamsie 2012; Klassen 2009, and Veltmeyer 2013.
developed countries to form trade agreements with small developing countries are economically unclear, since they “do not enlarge the export markets of developed-country producers to an extent that allows them to achieve greater economies of scale—an important driving force of regional trade liberalization among economically similar countries” (Manger 2012: 623). It is also important to note that the newer agreements go well beyond the reduction of tariff barriers to include a wide range of “beyond the border” economic measures.

One logical response of some neo-classical economists is to denounce PTAs as undermining the world trade system. Jagdish Bhagwati, for example, famously calls them “termites in the trading system” because of their corrosive effects on multilateral WTO system that he perceives as genuinely promoting gains from trade, particularly for developing countries that face significant disadvantages in negotiating with stronger developed nations (2008). Bhagwati has also referred to the result of overlapping and multiple PTAs as a “spaghetti bowl” effect (1995), in which signatories are involved in different agreements with different partners based on different arrangements for tariff reduction, different exclusions of particular sectors or products, different timetables, and different rules of origin.

Despite these pronouncements, PTAs continue to flourish, as the case of Canadian agreements with countries of the Americas illustrates. Since the economic rationale for these agreements is weak, analysts have pointed to a number of other factors to explain their proliferation. One explanation relates to the formation of preferential trade agreements between nations that are geographically proximate, where vertical multinationals share production across borders, locating more labour-intensive production processes in developing countries with lower wages, often through outsourcing (Manger 2012: 628). This explanation may help account for the inclusion of Mexico in NAFTA, but is not very helpful for explain Canadian trade agreements with smaller and more distant economies where few linkages exist in the production process. Another line of analysis points to the way in which regional agreements from the beginning of the Bretton Woods period have had a strong political and security logic, as the case of the European Union clearly illustrates. The formation of the European Coal and Steel Community in 1951 was created to reduce the incentives of previously warring countries to engage in military hostilities. Mercosur was also created in 1991 partially to curtail the military power of Argentina and Brazil, which had both emerged from long military dictatorships. Liberal peace theory argues that countries that engage in extensive trade relations are less likely to go to war (Martin, Mayer and Thoenig, 2010). However, this argument is more normative than descriptive, and has little relevance for the case of Canadian trade relations in the Americas, since Canada has no history of military confrontation with these countries. Nevertheless, these analyses do point to the often intensely political nature of trade agreements. In these perspectives,

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6 However most neo-classical economists continue to support PTAs on the grounds that they generally support the process of economic liberalization, particularly in developing countries.
economics is not irrelevant, but the primary purpose of the agreements is political.

A 2013 World Bank publication edited by Chauffour and Mour also highlights the “societal motivations” and “political economy” rationales behind many contemporary PTAs. Referring to what Bhagwati refers to as “value-related demands,” they argue, “[e]ach society has moral and social norms and preferences that may be undermined by market forces left to operate on their own” (2013: 23). Some PTAs thus may include provisions related to societal preferences. For example, the U.S. has included provisions in the Central American Free Trade Agreement related to narcotics. Perhaps most importantly from a neoliberal perspective, PTAs can be used either by the developed country or its developing country partner as a way of “locking in” liberal policy reforms that would be difficult politically to implement otherwise. Chauffour and Mour do not deal with the ethical or political issues related to the legitimacy of locking in such reforms, a process that places them outside of the realm of democratic control.

While there is thus some recognition in neoliberal literature of the social, political and ideational aspects of PTAs, ultimately this literature remains highly rationalist and economicistic. Interests are assumed to be fixed and pre-existing, and politics is usually portrayed as a messy and irrational realm that PTAs can help to curtail. In contrast, constructivist approaches emphasize the way in which economic ideas and policies are always and inevitably socially constructed. Gabriel Siles-Brügge thus advocates the view of social and political reality as

constructed by agents through ideas rather than being fixed by particular material (or what could be called ‘structural’) constraints, as in rationalist accounts....In this vein, the purchase of neoliberal ideas in academic and policy-making circles suggests that a powerful reason why ideas matter in the international political economy is that they are treated by actors as though they were material straightjackets. The argument made by some is that neoliberal tenets are increasingly treated as ‘normalised’, that is, as reflections of a reality in which the rational homo economicus is the main determinant of social outcomes, rather than as a “normative” framework, advocating policies seen as desirable... (2013: 600, emphasis in original).

Also in the European context, Andrew Hurrell has argued that there are no “natural regions”; rather, “it is how political actors perceive and interpret the idea of a region and notions of “regionness” that is critical: all regions are socially constructed and hence politically contested” (1995: 38-39 see also Walters and Larner 2012).

In contrast to this view of globalization and regionalization as inherently political and ideational, Canadian advocates of PTAs with Latin American countries treat the economic logic behind each agreement as obvious and irrefutable, despite the absence of supporting evidence. This position is shaped by the way in which regions have evolved in the Western hemisphere, and Canada’s peripheral position in this dynamic process of region-construction.
Canadian Trade Policy and Latin America

While recent and the current Canadian government have sought to picture themselves as strong proponents of open markets and free trade in the Americas and around the world, this has not always been the case historically. The ideological character of Canadian trade policy since independence in 1867 has instead clearly reflected the dual character of its economy, partially similar to most Latin American countries as a commodity exporter but only similar to Mexico in its manufacturing complementary ties with the US. That duality has, over Canada’s history, translated into a more than a century long policy struggle between protectionists and free traders, which was settled as recently as in the 1980s in the negotiations with its main trading partner, the United States.

The implicit result of the settlement was a wide political consensus of Conservatives and Liberals in support of free trade in general, but also endorsing hardcore protectionist policies such as state subsidies for agriculture, FDI exclusion from media and publishing companies, restrictions on foreign banks, and extensive regulations on all professional services (accounting, engineering, tourism, etc.) to eliminate any future foreign competition. All these practices were to be included in the treaty with the United States and any subsequent ones. As such, the preaching of free trade in general combined with hard bargaining to maintain “Canadian exclusions” have remained the hallmarks of all Canadian free trade-making in the Western Hemisphere.

The result of this recent and conditional conversion to free trade is that until the early 1990s, Canada was a timid proponent of PTAs in general, and particularly with developing nations, which were not seen as important markets but as competitors that could undermine Canadian agricultural and labor-intensive manufacturing competitiveness in certain sectors, or undermine social and labour standards with liberalized trade in services. The U.S. market remained the overwhelming priority for Canadian business and state actors. This predisposition reflected not only strong trade and investment linkages between the two countries but Canadian business’s lack of comfort outside of the cultural and social familiarity of the U.S. market. As the multilateral rounds of trade liberalization through the GATT were proving inconclusive, however, Canada was pulled by its Southern neighbor into negotiating PTAs with developing nations.

Table 1: Relative Relevance of Latin American Countries in Canada’s Exports

<table>
<thead>
<tr>
<th>Country/Region</th>
<th>Rank 2013</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>Share of Exports 2013, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mexico</td>
<td>5</td>
<td>5,844.2</td>
<td>4,803.4</td>
<td>5,008.2</td>
<td>5,486.2</td>
<td>5,386.2</td>
<td>5,386.4</td>
<td>1.141</td>
</tr>
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Since the 1960s and to the 1980s, the United States had been the target for Canadian trade negotiations, which culminated in the Canada-United States Free Trade Agreement (CUSFTA) of 1988. After that, Canada commenced its engagement via trade agreements in the Americas, which was launched with its reluctant accession to the NAFTA project. The Liberal Canadian government of the time strongly desired to maintain the preferable access to its main trading partner, the United States, that it had negotiated in the Canada-US Free Trade Agreement (CUSFTA) in 1988. However, it ultimately agreed to participate in trilateral negotiations, hoping to avoid the development of a hub and scope situation in which the U.S. would dominate the region through a series of bilateral accords (Macdonald 2008). Mexico was the Rubicon that Canada was forced to cross once the US initiated a PTA negotiation with its Southern neighbor. And a defensive logic, not one boasting the benefits of free trade, accordingly prevailed in Canadian public pronouncements during the bargaining.

Although Mexico-Canada trade relations have grown since the signing of NAFTA, it is unclear to what extent the trade agreement played an important role in this outcome. This is a pattern that would be repeated with later PTAs with Latin American partners. Bilateral trade flows between Canada and Mexico have grown from a total of $5 billion to $32 billion between 1994 and 2012, but the composition...
has not changed in the manner that a free trade agreement would have led one to expect. In fact, in most manufactured products where Canada (and the U.S.) obtained from Mexico significant tariff concessions, such as electrical and mechanical machinery, chemicals and paper products, bilateral deficits have grown against Canada, as Mexico has solidified its manufacturing industries inside the NAFTA value chains while Canada has lost ground within them. In commodities, where Canada also obtained substantial better access to Mexico, such as grains (corn, wheat, soybeans), and vegetable oils (canola oil and soybean oil), growth of Canadian exports has been very significant, nearly tenfold in less than 20 years, making the pattern of trade one that is very much of commodities (from Canada) for manufactured goods (from Mexico). Canada’s overall trade deficit with Mexico has not been undone by NAFTA, but actually gotten worse since then. By 2012, Canadian exports to Mexico reached $5.4 billion, but imports amounted to $26.6 billion, resulting in a hefty deficit of $21.2 billion, or 5% of total Canadian exports to the world in that year.

FTAA

After NAFTA was signed, and despite its earlier misgivings about PTAs with developing countries, Canada adopted an energetic role in promoting a Free Trade Area of the Americas (FTAA), an initiative launched by U.S. President Bill Clinton in Miami in 1994. Despite the increasing integration of the Canadian economy with the U.S. after CUSFTA and NAFTA, and its very limited trade ties with the countries of Latin America and the Caribbean, Canada became perhaps the most enthusiastic promoter of the FTAA initiative, as U.S. interest in the hemisphere waned, particularly after 9/11. As Macdonald (2008) argues, at the time Canada’s promotion of hemispheric integration reflected strong anxieties among the Canadian population about the closer ties the country had forged with the U.S. (particularly once George W. Bush had assumed power in 2000. It also reflected Canadian projection of the country’s self-image as “global (or at least regional) ‘consensus-builders’ and ‘facilitators’. Canada’s engagement with the politics of regional economic integration thus allows the country to simultaneously embrace and resist the powerful forces of economic and political integration with the United States” (2008: 233). At the same time, however, the discourse of the Liberal government championed neoliberal principles and supported the “WTO plus” trade agenda promoted by the U.S. in the FTAA negotiations. The eventual failure of the FTAA initiative would leave Canada searching for a new role to play in the hemisphere.

Chile

In addition to its promotion of the FTAA, Canada also launched trade talks with Chile. Like Canada, that country had been showing itself as an ardent supporter of the FTAA project initiated, but it was being targeted by crucial interests from inside that same negotiation. MERCOSUR countries, led by Brazil and Argentina, were trying to convince Chile to join them, thus strengthening their hand at the FTAA bargaining table, while the USA was also seeking to sign a PTA with Santiago in
order to demonstrate its commitment to quickly expand NAFTA further South. As the Clinton administration in the USA failed to obtained congressional authorization to sign further trade treaties in 1995, Canada had an opportunity to insert itself in that space by signing with Chile instead.

That move would satisfy several political objectives beyond the enhanced market access obtained through the actual text. First of all, it would once again align Ottawa with Washington's Latin American interests by supplying an auxiliary partner for Chile to show that the NAFTA model was expanding South, counteracting any MERCOSUR pretensions of developing any alternative model or bargaining platform. Secondly, it would reposition Canada as a nation ready to promote free trade hemispherically, signaling to other countries there that they could also sign PTAs with it to better access North American markets. Thirdly, it drove home the point to Brazil that Canada did have leverage to influence trade policies in Brazil's own region of influence while it was also engaged with that country in a bitter commercial dispute of great consequences, such as the Bombardier-Embraer subsidies conflict.

The PTA with Chile was rapidly concluded and signed in 1996 and entered into force in July 1997, using the same text the United States had brought to that table before and which was also clearly similar to the NAFTA agreement previously signed with Mexico. The main gains for Canada were a swift reduction in the 11% tariff Chile was levying on most Canadian imports, and enhanced access for Canadian cereals and meats into the protected Chilean agricultural market. The agreement had the same NAFTA pattern in its customs administration modalities, rules of origin, investment protection clauses and dispute settlement mechanisms, as well as two parallel agreements to support bilateral labor and environmental co-operation. Those side-deals had been created by the US administration to achieve key Democrat congressional support for the NAFTA deal with Mexico and stayed on in the Canadian deal with Chile.

Back in Ottawa, this PTA was sold as an instrument to give Canadian exporters an advantage over competitors from the US, European Union and Asia, all regions with which the Chilean government was also in negotiations for other PTAs. In line with Chilean and Canadian sensitivities, there were, however, significant differences between this PTA and NAFTA. Most notably, it did not contain an energy chapter, did not deal with sanitary and phytosanitary measures affecting agricultural trade, did not have a general set of provisions with respect to standards-related measures, and it did not contain chapters on government procurement, financial services or intellectual property. Finally, as in NAFTA, Canada maintained in its PTA with Chile a full-scope exemption for cultural industries, the broadest possible carve-out for social services including health services, and a total exclusion of over-quota tariffs for supply-managed products (dairy and poultry industries).

The results from this PTA, a substantial growth in total trade from a very low base of $700 million to $2.4 billion between 1997 and 2012, have been thoroughly
researched by both sides. On the 10th anniversary of the agreement, Chilean authorities found it to have been working moderately well for them in terms of exports, particularly for those of fresh or frozen fruits and wines, but which were still a very small percentage of total exports to Canada. These were totally dominated by minerals, approximately 85% on average for the 1997-2007 decade, by unwrought gold and silver, produced by Canadian-owned mines there. Canadian FDI to Chile had been growing since the late 1980s as its investors took positions in the privatization of public services. By the time the PTA was signed in 1996, Canadian FDI to Chile represented over 40% of the total going to Latin America, quite surprising considering the recent NAFTA agreement signed with Mexico and the size of that economy or that of Brazil, for example.

On the 15th anniversary of the agreement, the Canadian government produced a report taking stock of the effects of the agreement. While most of the text and data used clearly indicated that the agreement has not substantially assisted Canadian exports to Chile (and the reverse has happened in only a few lines), the government still persevered in saying that the FTA had proven to be very valuable for Canadian exporters. As grounds for that, it indicated that Chile since had gone on signing some 60 other FTAs since doing so with Canada, effectively eliminating the privileged access it had granted Canada in 1997, so that Canadian exports would have been much lower without the agreement. This counterfactual claim is, however, not statistically proven in the report or in any other publicly available DFATD publication. The Chilean and Canadian reports both emphasize the growing importance of FDI as the real cornerstone of the bilateral economic relationship. Precisely on those grounds, Ottawa had argued that a PTA with Chile would further enhanced the protection for Canadian investors there. Even Canadian FDI itself did not seem to follow that logic of treaty-bought insurances, reducing the participation of Chile in its total flows to the region to an average of 30% in the decade running from 2002 to 2012. That is in spite of the fact that Chile has improved even further in governance and corruption global indexes.

Costa Rica

Still within the larger logic of the ongoing FTAA negotiations, Canada went on to sign another PTA with an equally eager liberalizing partner, Costa Rica. That nation had been rapidly signed a series of PTAs with Mexico, Chile and was already negotiating others with the European Union and the USA by the late 1990s. Its president, the neoliberal economist Miguel Ángel Rodríguez Echeverría, was among the main advocates of hemispheric trade liberalization and privatization of public utilities. The Canadian government supported Rodríguez Echeverría’s policies by rapidly extending copy of the treaty recently signed with Chile, hoping this would also facilitate the participation of Canadian telecommunications industries in the Costa Rican privatizations. In negotiations between July 2000 and April 2001, Costa Rica obtained as good access for its exports as Chile had done, but in exchange for much more limited access to Canadian exports there, reducing tariffs in only 67% of tradable lines, over a period of 14 years, compared to the 95% given by Chile over a
10 year dateline. Canada’s offer was roughly similar as the one to Chile, some 86% of tariffs reduced or eliminated, with the standard protections on agriculture, cultural industries, finance, professional services and mass media. Ottawa did obtain important gains in agricultural products such as potatoes, pulses, grains and oilseeds products, and processed foods.

Overall, Costa Rican negotiators demonstrated capacity to make the agreement take into account the dissimilar sizes and levels of development of the two economies and to provide a relatively more balanced real market access for industrial and agricultural exports from both countries. Trade flows since the agreement have reflected that, going from a total of $250 million in 2001 to $700 million in 2012, while maintaining a substantial trade surplus for Costa Rica, which has gone from $188 million to $515 million in the same period. In contrast, Canadian exports there have only grown from $62 million to $185 million, a higher rate of growth but from a much lower base. To put these figures in context, Canada total exports were $400 billion in 2001, increasing very slowly to $450 billion by 2012. Costa Rican exports were $6 billion in 2011 and $11 billion in 2012. It can be concluded from these figures that bilateral trade has grown faster than the total exports of both nations since the signing of the FTA, but to observe whether this has actually been the case, the composition of two-way trade needs to be reviewed.

In 2001, Costa Rica exported mostly bananas and other tropical fruits, plus maquila products such as textiles and electric circuits. By 2012, the most important item was computer chips (41% of total exports) coming from a US-owned Intel factory there, plus those same traditional goods being exported before. The only novelty arising for Costa Rica from the PTA were orthopedic appliances (10% of exports) and some foodstuffs (2%). Thus, most of the growth in Costa Rican exports to Canada were not linked to the FTA but to a single US investment there and the growing prices and demand for tropical fruits and coffee in the Canadian market, where those goods had already entered duty free before the trade deal.

The tripling of Canadian exports to Costa Rica in the 11 years since the treaty has been in force has occurred entirely due to the growth in demand from the Costa Rican economy and from rising international commodity prices. These changes have increased the totals of Canadian export values in wheat, fertilizers, malt, paper, iron ore and potatoes. Manufacturing exports have trailed that trend, with less significant growth in cars, auto-parts, and electronic machinery. Only in the case of wheat, fertilizers and malt, tariff concessions obtained through the FTA could be constructed to have played a role. These three combined represented $50 million in 2012, 27% of total exports there, and 0.012% of total Canada exports worldwide.

Canadian investments in Costa Rica have concentrated on finance and tourism, which, according to Bennett (2011), could be taken as relatively important in the context of the overall bilateral relationship. The main investor by far, Scotiabank, entered in 1995, when it acquired an 80% interest in Banco Mercantil. Right after the PTA, but not directly linked to it, the Canadian firm was able to increase its
ownership to 100% as Costa Rican rules were changed to allow total ownership by foreigners of local banks (something Canada prohibits, for example). In 2006, it bought and merged with Banco Interfin, making it the largest private bank in the country with about C$1.8 billion in assets and C$1.1 billion in deposits (Scotiabank, 2014)\(^7\). Canada has since been involved in lobbying for the privatization of the rest of the Costa Rican banking sector, currently dominated by three highly profitable state-owned banks.

Section on Peru, Colombia, Honduras and Panama are coming.

Apart from inconclusive negotiations with Central American and Caribbean countries, Canada’s most significant recent trade engagement in the hemisphere has been with the Pacific Alliance, a trade bloc comprising Mexico, Colombia, Peru and Chile. Canada became an observer of the Pacific Alliance in 2012 and is considering applying for membership. The Pacific Alliance is not just a free trade area, the first stage of regional integration, but aspires to and already represents a deeper and more challenging form of integration, moving toward a common market like the EU – the goals are free movement of goods, services, capital, and peoples. The member
states are rapidly moving toward such goals as integration of stock markets, visa free travel, harmonization of regulatory standards, security cooperation.

Although members have described it as a pragmatic non-ideological grouping, the Pacific Alliance clearly represents a political response to the rise of Brazil as a regional leader, and an attempt of these states to balance against Mercosur and ALBA. The Pacific Alliance also represents an attempt to position the member states vis-à-vis the Asia Pacific, to facilitate ties, and perhaps to strengthen their position to enter into ASEAN or the TPP.

Canada acquired observer status in the Alliance in November 2012 and is currently considering the possibility of taking the next step to becoming a full member. During his trip to the region in May 2013, however, Prime Minister Stephen Harper deferred the decision to join to a later, unspecified time.

In the apparent logic of the Canadian government and other observer countries, the Pacific Alliance is still an evolving initiative and differences between members and observers in terms of participation in the bargaining process have not been clearly set out yet. However, the Alliance is quickly adding new members. Costa Rica effectively joined in May 2013, and Guatemala and Panama have already confirmed their condition as candidates to later become full members. Other Latin American countries that currently have “observer” or “associate” status in the PA are Honduras, El Salvador, and the Dominican Republic. Negotiations for membership are expected to last one year approximately and are followed by a decision by the council of ministers.

A possible obstacle for Canada's full entrance into the Alliance could be posed by its visa requirements for Latin American citizens. The issue of free movement of people is an important one within the initiative and Mexico, which required visas from Peru and Colombia, has already removed them. Canada currently requires visas from people travelling from Colombia, Chile, Peru, and Mexico. If it intends to pursue full membership, Canada will have to consider facilitating the movement of individuals coming from these countries.

“Behind the border” measures, also known as non-tariff barriers to trade (NTBs), are another issue worth considering. Given that Canada already has free trade agreements in force with the four member countries, most tariffs and other border measures are fairly low. Hence, the work to be done in joining the Alliance is in trade facilitation and harmonization of technical standards, which requires the elimination of barriers that restrict imports but are not in the usual form of a tariff. That would imply substantial changes to Canadian legislation, such as accepting the mutual recognition of standards and regulatory requirements with the Alliance’s member countries. It would also imply Canadian willingness to address issues that might hamper the flow of goods such as inter-provincial barriers to trade, import licenses and regulations, sanitary and phytosanitary conditions, bureaucratic delays at customs, and in the case of food redundant safety, labeling and inspection.
requirements. These areas, along with labour mobility, integrated financial markets and other trade facilitation measures, are the central issues in which the Alliance members are cooperating in order to increase their own competitiveness and pursue trade with Asia. The difficulty of reaching an agreement with Canada on all of these issues indicates that Canada’s consideration of membership is more of a result of a strategy of ideological positioning rather than a serious economic initiative.

**Conclusion**

Overall, the pattern of Canadian trade agreements in the Americas since the 1990s has displayed some key features. Since NAFTA, Canada has engaged in signing a series of PTAs with ideologically compatible countries in the hemisphere. Since the failure of the FTAA, and particularly since the coming to power of the Harper Conservatives, Canada has engaged in signing a series of new PTAs with relatively small, ideologically compatible partners in the Americas. None of these hemispheric trade partners, apart from Mexico, represent important economic markets for Canada, and the PTAs have had minimal economic impact.

As a result, we argue, Canada’s trade engagements in the Americas can be seen as primarily political in motivation. In the context of rapid political and ideological changes in the Americas, particularly the coming to power of a series of centre-left governments, the Canadian government is engaged in an ideological strategy of aligning itself with the remaining centre-right governments of the region, and positioning itself as a champion of neo-liberal economic strategies in the face of the rise of a strong critique of neoliberalism. Canadian trade policy in the region, we argue, is therefore best understood from a constructivist perspective that highlights the importance of ideas, values and political positions. While interests, in this perspective, are not irrelevant, they are socially and politically constructed, rather than objectively determined by economic factors. The Harper government is thus positioning itself to play a role in the emergence of a centre-right bloc and to resist the so-called pink tide.

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