Canada’s 2013 Global Markets Action Plan promises to dedicate additional federal resources towards the pursuit of Canadian commercial interests in international markets. Emphasis is placed on securing investment opportunities as a means to facilitate greater access to global value chains on behalf of Canadian business. Latin American markets feature prominently in this strategy and have become the destination for an increasing amount of Canadian direct investment abroad (CDIA) as well as Canadian diplomatic missions. Critics assert that under its current government, Canada’s engagement in Latin America has become narrowly focused on commercial priorities to the sacrifice of deeper engagement on issues such as the environment, labour and human rights (Gonzalez et al., 2012). This can have important implications for Canada-Latin America relations, as the operations of Canadian firms and the diplomatic support buttressing their activities become increasingly politicized in the region.

Scholars have observed the steady rise of commercial objectives such as trade promotion in Canadian foreign policy across recent decades. This trend has been attributed to what is labeled in foreign policy studies as ‘niche diplomacy’ – the strategic selection of a functional or geographic niche towards which resources are focused in order to maximize a country’s influence. From this perspective, the prioritization of commercial interests is less a function of the preferences of Canada’s current government than a result of the growing scarcity of resources available to governments with which to pursue increasingly complex foreign policy issues (Cooper 1997; Potter 2004; Stein 1994). Yet to attribute shifts in Canadian foreign policy to resource constraints ignores the politics of decision-making. This is often to the neglect of deeper explanations about how and why specific issue areas become privileged over others. Indeed, decision-making processes around the allocation of resources are profoundly political and are driven by sociopolitical, historic and economic determinants. Moreover, whether there is anything new about how commercial objectives are situated in Canada’s broader foreign policy agenda must be investigated in light of historic trends.

In this paper, I ask: how have commercial interests been situated in Canada’s foreign policy agenda across time and what is new about Canada’s current commercial focus? What has this meant for Canada-Latin America relations? I argue that Canada’s foreign policy agenda has become more narrowly focused on commercial objectives, albeit more gradually than contemporary critics often acknowledge. However, the commercial interests underlining Canadian foreign policy have shifted from what was previously an emphasis on trade development towards what is now a focus on foreign investment promotion. The focus placed on promoting CDIA has had implications for the way in which Canadian foreign policy is practiced in Latin America, which has in turn
contributed to the politicization of Canadian engagement in the region. I illustrate these points by tracing the rise and evolution of commercial objectives in Canadian foreign policy and practice, with particular emphasis placed on exploring how Canada’s focus on foreign investment promotion has played out in Latin America.

In the first section I provide a brief conceptual overview of niche diplomacy and problematize how it has been applied to existing studies of Canadian foreign policy. In the second section I discuss Canada’s current foreign economic policy strategy and explore the practical implications of its focus on investment promotion for Canada-Latin America relations. I then employ a critical political economy approach inspired by Cox (1981) and Judson (2003) as I explore how commercial objectives have been situated in Canada’s foreign policy agenda over time. In doing so, I reveal how local and global economic restructuring intersected with social forces, ideas and institutional contexts to facilitate the rise of investment promotion as a foreign policy priority. Lastly I explore the intersections between Canada’s investment promotion and ongoing political developments in the region. This helps reveal the unique characteristics of Canada’s foreign investment promotion strategy and Canadian engagement in the region.

Niche Diplomacy

Several scholars observed the increasing breadth and complexity of global policy areas in the post-Cold War era (Cooper 1997; Potter 2004). To some, the emergence and expansion of new global policy fields, including human security and the environment, created new opportunities for middle powers such as Canada to achieve global leadership, if only in specialized areas. This required that countries identify areas of comparative advantage, develop targeted policies and focus resources strategically so as to maximize influence in an ever-expanding global arena (Stein 1994; Nossal 1998/9). This practice, referred to as ‘niche diplomacy’, has been used to describe the gradual erosion of the internationalist agenda that dominated Canadian foreign policy since the 1950s. Indeed, as the number and complexity of foreign policy issues increased, particularly throughout the 1990s, the resources available to many middle powers stagnated. In Canada, the government responded by gradually reducing foreign aid and defence budgets, leaving the country with limited means to project an international profile (Rioux and Hay 1998/9).

In times of fiscal austerity, Potter argues, a country is faced with three choices: “increase the foreign policy budget to reflect the expanding agenda, do more things less well, or assign a lower priority to some issue-areas.” (2004). Thus, the reduction of the internationalist agenda and the rise of commercial objectives in Canadian foreign policy after the 1980s is argued to be a result of growing budgetary constraints and the desire amongst policymakers to be both strategic and efficient in the use of Canadian resources.

Though existing explanations of ‘niche diplomacy’ help illustrate how economic determinants impact foreign policy decision-making, they fall short in explaining why particular issue areas become privileged over others. Indeed, since the 1980s Canada balanced nationalist and protectionist policies with participation in the multilateral trade system. Resource constraints alone do not fully explain why the reduction of protectionist measures became a viable political option later that decade. Resource explanations also
have trouble accounting for the specific form in which foreign policy priorities materialize – the tools and resources deployed in pursuit of chosen functional or geographic niches. Understanding why particular markets and industries were selected for trade and investment promotion and the resources used to do so reveal nuances in Canada’s broader foreign policy agenda and political landscape. As will be discussed, it is also important to understand the use of particular tools in the implementation of foreign policy goals, as they can have important ramifications on government capacity and interstate relations.

Critical international political economy (IPE) studies contribute greatly to understandings of the ways in which economic, sociopolitical and institutional determinants impact foreign policy agenda setting and decision-making (Haslam 1999, Cox 1981; Judson 2003). Critical IPE currents seek to dissolve artificial distinctions between what is political and economic on one hand and what is domestic and international on the other. Global capitalism is taken as the predominant unit of analysis; however, critical IPE goes further than structuralist theories in seeking to uncover how ideas and competing social forces at multiple scales interact. Focus is placed on studying how this interaction creates dynamic, temporal hegemonies and counter-hegemonic movements. Foreign economic policy, from this perspective, is a reflection of how particular localities experience these varied and dynamic interactions (Judson 2003).

I take the resource-scarcity explanation in studies of niche diplomacy as a starting point, and seek to highlight how decisions on where and how to allocate resources in the pursuit of foreign policy objectives are co-constitutively linked to sociopolitical determinants and historical-structural contexts. My emphasis on retelling the evolution of Canadian foreign economic policy is on highlighting the intersections between these determinants to explain the steady rise of international trade and subsequently investment promotion as key priorities.

Canada’s Foreign Investment Promotion Strategy

In 2007, the Government of Canada released the Global Commerce Strategy (GCS), launching what was touted as the “most ambitious pro-trade plan in Canadian history” (DFATD 2012). The plan aimed at securing favourable terms of access to trade and investment opportunities on behalf of Canadian business through bilateral engagement with thirteen international markets. These commitments were reiterated in the 2013 Global Markets Action Plan, which, in addition to reaffirming the government’s partnership with business, also clarified the scope of priority markets (DFATD 2014b). Latin American markets featured prominently in both strategies, which is in part reflective of the status the region has gained as a foreign policy priority since Canada’s 2007 decision to re-engage the Americas (DFATD 2007).

At the centre of this trade plan has been the promotion of Canadian investment abroad through bilateral engagement, targeted programs and services, and the championing of investment rules. Efforts to promote CDIA are justified under Canada’s integrative trade model. Integrative trade envisions the global economy as having moved
steadily away from the simple diffusion of firms’ economic activities across borders and towards the functional integration of production and supply processes. Integration means that firms source and supply components of final products along GVCs comprised of subsidiaries or partners operating in different locals. According to this model, the expansion of investment networks internationally is an essential means to gain greater access to GVCs because, as domestic firms invest abroad, new points of entry are created. Participating in GVCs is in turn argued to encourage both domestic firm growth and access to technologies and resources found abroad. Moreover, promoting CDIA in new markets has been linked to growth in exports destined towards investment-receiving countries (Van Assche 2012).

Both the GCS and GMAP place emphasis on concluding Foreign Investment Protection Agreements (FIPAs) and investment chapters in free trade agreements (FTAs) as a means to facilitate Canadian investment in new markets. FIPAs are designed to protect and liberalize the flow of capital across borders. They also help assure investors that their entry and operation are guaranteed in environments that are perceived to be risky or otherwise unfriendly. Should investors’ treaty rights be violated, IIAs provide recourse to international arbitration bodies, such as the World Bank’s International Centre for Settlement of Investment Disputes (ICSID). This effectively provides firms with the power to sue governments for interferences in their operations.

Canada’s FIPA model, which provides officials with the basic standard of investment provisions when negotiating the agreements, is amongst the most comprehensive in terms of the rights and protections it grants to investors. Canadian FIPAs and investment chapters generally exhibit higher levels of investment protection than what is the norm in agreements signed between European and Latin American partners. For example, contemporary Canadian FIPAs include broader definitions of what constitutes FDI (i.e. expanding coverage to incorporate intellectual property) and greater restrictions on the performance requirements that may be imposed on investors (Haslam 2010, 1186; Peterson 2006, 3; UNCTAD 2007, 14). Canadian and US FIPAs also oblige signatory governments to treat foreign investors on a level playing field with domestic companies even at the entry phase of an investment. This is in contrast to most investment treaties signed by other countries that retain governments’ abilities to vet investment at market entry stages (Peterson 2006, 1). These provisions greatly reduce host-states’ abilities to control and regulate the operation of foreign firms within their borders. As will be discussed, IIAs have come under criticism recently as governments face the repercussions of increasing investor claims.

Between 2007 and 2014, the Harper government placed into force five FTAs with investment chapters and seven bilateral FIPAs with European and African partners. Fifteen additional FIPAs have been concluded yet await ratification, and eight more are under negotiation (DFATD 2014c). This is a significant escalation in both the number of agreements pursued and the rapidity with which the agreements are negotiated in comparison to previous governments. Under the Liberal governments of Jean Chrétien and Paul Martin, four FTAs and eighteen FIPAs were concluded collectively over a thirteen-year period, which is significantly less than what the current Conservative
government achieved in just eight years in office. It is also worth noting the increasing scope and complexity of contemporary FTAs and FIPAs in relation to their earlier counterparts.

Among the agreements recently placed into force are FTAs with Peru (2009), Colombia (2011) and Panama (2013). FTA negotiations have been concluded with Honduras and all these agreements contain investment chapters or build on existing FIPAs (as in the case of Peru, Costa Rica and Panama). Canada also undertook the “modernization” of existing FTAs with Chile and Costa Rica to include chapters on investment as well as trade in services, financial services and government procurement (DFATD 2014a; DFATD 2014b). While investment chapters are the primary vehicles through which investor rights are established, contemporary FTAs also contain chapters on intellectual property and financial services, which include more specific forms of investment protection.

The federal government provides a range of programs and services to support Canadian firms investing abroad. This includes Canada’s network of Trade Commissioners (investment counselors) in foreign posts as well as financing and insurance options offered by Export Development Canada (EDC). These programs help minimize risks for Canadian investors and facilitate the creation of business linkages in international markets. In Latin America, state support has targeted mining and extractive firms. In 2008, EDC facilitated Canadian business in Latin America’s extractive sector worth more than $4 billion, a figure that is expected to grow as additional resources get funneled to the region. EDC recently placed new offices in Santiago, Lima and Bogotá, which means that it now has a permanent presence in Brazil, Chile, Mexico, Colombia and Peru. These countries, together with Argentina, accounted for the top five destinations for Canadian mining capital in Latin America from 2002 to 2008. Moreover, the Canadian Pension Plan, a publicly administered fund to which most working Canadians are legally required to contribute, holds equity worth almost $2.5 billion in publicly traded Canadian mining companies that operate in developing countries, including those in Latin America (Keenan 2010, 31).

The Canadian government champions Canadian business interests through bilateral and multilateral engagement at the highest diplomatic levels. Particular emphasis has been given to elevating the profile of Canada’s extractive and financial sector firms in the region. In a speech given at the 2012 Summit of the Americas meeting, Prime Minister Stephen Harper highlighted the strength of Canada’s financial sector and the role of Canadian mining companies in ensuring prosperity both at home and in Latin America. Harper urged fellow members to maintain stable investment environments with low corporate tax regimes in order to nurture resource industries while lamenting the rising cost structure “testing” the global mining industry. He also cautioned governments against the windfall taxes being implemented in several Latin American countries (Government of Canada 2012).

Under the Americas Strategy, Canada made broad-based commitments to encouraging economic growth, stability and democracy in Latin America (DFATD 2007).
Despite this regional focus in Canadian foreign policy discourse, the majority of diplomatic and trade missions have been to what are referred to as “like-minded countries” - Colombia, Chile and Peru. These countries are founding members of the Pacific Alliance and share Canada’s outward looking approach to economic development (Heidrich, Macdonald and Prada 2013). They are also actively extending their network of IIAs with a range of Southern and Northern partners, which is in part driven by the emergence of trans-Latin firms with expansionist interests in their own borders (ECLAC 2012). This is particularly true for Chile and Colombia, which boast some of the most dynamic transnational firms in the region. These markets are also destinations for an increasing amount of investments from Canada’s financial services, infrastructure and mining sectors (see for example, Létourneau and Heidrich, 2010, Randall 2010, 12-14; UNCTAD 2012).

Although the GMAP and GCS are consistent in many respects, what sets the GMAP apart from its predecessor is its commitment to direct additional diplomatic resources towards advancing commercial interests abroad. Indeed, the GMAP states “all diplomatic assets of the Government of Canada will be marshaled on behalf of the private sector in order to achieve the stated objectives within key foreign markets” (DFAT-D 2014b, 11). Diplomatic resources have long been used for economic diplomacy (see for instance Head and Reis 2009), yet Canada’s diplomatic arm in Latin America has received increased criticism for the explicit support given to contested investments by Canadian mining firms. Recently, when local indigenous communities subjected Canadian-owned Marline mine in Guatemala to opposition, the Canadian ambassador to Guatemala published an opinion piece in the local newspaper praising the Canadian mining industry. In Ecuador, a representative of the Canadian company Corriente Resources, whose operations have been associated with violent conflict and human rights abuse, stated that “the Canadian Embassy in Ecuador has worked tirelessly to affect [sic] change in the mining policy – including facilitating high-level meetings between Canadian mining companies and President Rafael Correa” (Keenan 2012, 31 quote originally appeared in Popplewell 2008). Government documents released to Mining Watch Canada under an access to information request reveal twelve additional instances in which Canadian diplomatic resources supported extractive firms; these actions generated significant backlash from local communities (Mining Watch, 2013a, 2013b).

The GMAP narrows the list of priority markets from the broad focus on Latin America and the Caribbean found in the GCS to Brazil, Chile, Colombia and Peru as markets that meet “broad Canadian commercial interests” while Costa Rica, Panama, Paraguay and Uruguay are specified as offering “more specific business opportunities” (DFATD 2014b). The inclusion of smaller markets including Paraguay, Uruguay and Panama coincides with Canada’s renewed efforts at establishing an FTA with both the Central American Four and Mercosur. However the prioritization of “like-minded” countries speaks more to a continuation of current practices than any substantive shift in Canada’s focus. The majority of Canadian diplomatic engagement in Latin America has been with these countries with few official missions destined for countries governed by the New Left.
New Left (also known as postneoliberal) countries are those that witnessed the rise of leftist governments seeking to regain state autonomy lost during the neoliberal era. Though diverse in nature, New Left governments share a commitment to progressive policy alternatives rooted in broader concerns for social improvement, including poverty alleviation and political and economic equality (Riggirozzi and Tussie 2012, Macdonald and Ruckert 2009). Amongst these regimes are those governing Venezuela, Ecuador and Bolivia as well as Argentina, Chile and Brazil. With the exception of Chile and Brazil where burgeoning domestic markets and centrist governments friendlier to liberal economic policy make them attractive investment destinations, New Left countries are noticeably absent from the list of Canada’s priority markets. This is despite the presence of significant Canadian investments in their borders. For example, Argentina is a major destination for Canadian investment, particularly in its mining industry. In 2013, over $3.4 billion of Canadian investments targeted the Argentine market (or almost 8 per cent of total flows in to Latin America), making it the fourth largest destination for CDIA in the region (see Table 1). Though high-level Canadian diplomats visited the country as part of an effort to re-engage Mercosur, the country is not listed as a priority.

Recent developments in Canada’s international development spending signal a greater alignment with investment promotion. This convergence was illustrated in CIDA’s Sustainable Economic Growth Strategy, in which the government commits to focusing on targeted investments that “directly support the sustainable economic growth of the industrial and business sectors in developing countries” (CIDA 2011). Indeed, much of Canada’s development efforts have been directed away from traditional forms of aid and toward programs that work cooperatively with Canadian extractive companies operating abroad. These programs, such as the Andean Regional Initiative, leverage public and private sector investments to fund projects aimed at benefitting people living near or effected by Canadian mining sites (DFATD 2014). CIDA has also funded technical support projects aimed at aiding mining law reform in Honduras and Ecuador - reforms that are favourable to Canadian extractive interests. In 2013, CIDA was absorbed into the Department of Foreign Affairs and Trade, despite its long battle to remain autonomous from Canada’s leading trade promotion body.

Recent changes to Canadian development policy are strongly debated. Proponents argue that this approach offers new opportunities to find solutions to persistent development problems while incentivizing socially responsible corporate behaviour. Critics assert that the shift exemplifies the desire of an ideologically right-wing government to redirect what were traditionally public resources towards private ends, offloading responsibility for dealing with the repercussions of mining from the sector and onto the Canadian state (Studnicki-Gizbert and Bazo 2013, 72). Critics also assert that this shift ignores a large body of work around pro-poor economic growth, including previous CIDA policy aimed at poverty reduction and best practices (Tomlinson and Reilly-King 2011).

In 2005, largely in response to increasing concerns about the operations of Canadian mining companies abroad, the Canadian parliament’s Standing Committee on Foreign Affairs and International Trade issued a report entitled Mining in Developing
Countries and Corporate Social Responsibility. The report argued that more should be done to ensure Canadian mining companies “conduct their activities in a socially and environmentally responsible manner and in conformity with international human rights standards” (Parliament of Canada 2005, 2). Pursuant to this, the federal government established a series of national roundtables comprised of stakeholders from the mining sector and public officials. The purpose of these roundtables was to develop a set of CSR standards to encourage the adoption of socially responsible behavior by Canadian mining firms operating abroad (DFAIT 2006). The roundtables adopted a series of recommendations to inform the CSR code; however, many substantive civil society demands were left out of discussions. As critics observe, the CSR code lacks enforcement mechanisms and efforts to implement CSR standards focus on incentivizing firms to voluntarily adopt socially responsible behavior. A roundtable recommendation to create an independent CSR ombudsman position was dismissed in favour of establishing a Counselor with little power to investigate cases without the permission of all parties involved, including the firm accused of committing abuses (Grinspun and Mills 2008, 75).

Under Canada’s current foreign economic policy strategy, emphasis has been placed on promoting CDIA in strategic markets. In Latin America, preference is shown to regimes that are home to significant extractive and financial sector investments and share Canada’s commitment to liberal economic policy. Several facets of Canada’s broader foreign policy arm have been marshaled in support of investments despite local resistance. Indeed, the establishment of a CSR code for extractive industries and the use of diplomatic resources in support of contested projects reflect an attempt to generate more favourable public and political images around heavily politicized operations. Moreover, the promotion of investor rights through FIPAs and investment chapters, which aim to secure capital mobility by deterring government intervention, stands in tension with the positive role played by the Canadian state in supporting Canadian investors abroad. This contradiction suggests that government action is held as legitimate only when it is aiding firms’ operations. As Canadian investments become more heavily politicized, Canada’s commitment to increase diplomatic support for Canadian investors will have important ramifications for the way in which Canada is perceived internationally. Thus, it is important to understand why Canada adopted this particular approach. Understanding the nuances of this strategy requires a broader understanding of the political landscape in Canada.

Exposing the Determinants

Until the mid-1980s, Canadian economic policy had, for the most part, remained decidedly inward looking. As Swarts observes (2013, 53), Canada’s sparsely populated expanse and geographical proximity to the US meant that much of the country’s economic policy had been informed by two predominant themes: a reliance on government-initiated and sponsored economic development, and the perceived necessity of protectionism to safeguard Canada’s diverse local industries from being overwhelmed by the economic might of the US. The Trudeau government largely adhered to these principles, extending governments oversight over Canada’s energy market while shielding Canadian industry from US penetration (Hale 2008, 723; Swarts 2013, 72).
Trudeau’s foreign policy agenda was markedly independent from the US in comparison to his predecessors, particularly in its call to diversify Canada’s economic interests away from its growing dependency on the US market. As part of the 1970 white paper, *Foreign Policy For Canadians*, Trudeau identified Latin America as one of three regional focuses for the expansion of trade, intergovernmental cooperation and transportation and tourism links (Gecelobsky and Kukucha 2011, 41).

The 1980s saw a dramatic reversal in the nationalist and protectionist sentiment that traditionally guided much of Canada’s economic policy. At the international level, the ascension of neoliberalism as the dominant policy paradigm was ongoing. New centres of business activism emerged to challenge the Keynesian consensus that triumphed in the post-war era (Carroll 2004, 162). In Canada, corporate actors with transnational links began to advocate neoliberal policy, most notably the Business Council on National Issues (BCNI) – recast in 2001 as the Canadian Council of Chief Executive Officers. New right forces, including the Reform Party of Canada, the National Citizens Coalition and the Canadian Taxpayers Federation as well as corporate-funded policy think tanks sought to shape public debate around the need to address the country’s sputtering economic performance by curbing government expenditure, privatizing state assets and deregulating the economy (Cohen 1997, 36 – 38).

The 1981/2 global economic recession, which disproportionately impacted the Canadian economy, prompted a frenzied search amongst Canada’s political elites for policy alternatives that would address Canada’s economic woes and avoid bubbling US economic nationalism. Within the federal bureaucracy, debate swirled around whether to deepen Canada’s participation in the General Agreement on Tariffs and Trade or pursue a continentalist approach. The Department of External Affairs created task forces to develop policy options, most notably the Royal Commission on the Economic Union and Development Prospects for Canada (the Macdonald Commission). The BCNI, which had lines of contact to External Affairs, generated numerous studies and policy position papers to inform political elites of the benefits of greater market access in the US. Continental integration eventually gained support within the department, the ascension of which was greatly aided by this business activism. However labour groups and business sectors that benefited from protectionist measures remained staunchly against the prospect, as did much of the general public (Golob 2003, 380).

At this time, trade development rose steadily on the federal foreign policy agenda. In 1982, the Trade Commissioner Services (TCS) – the central component of Canada’s international business development network under the Department of Industry, Trade and Commerce - was amalgamated with External Affairs (renamed the Department of Foreign Affairs and International Trade). This move reflected a growing consensus within the federal government that trade development was vital to Canadian interests and therefore deserving of a more expanded role in Canadian foreign policy. The TCS and Canadian trade missions had expanded rapidly across the TCS’ almost 90 year history, while responsibilities for international business development also began to increasingly trickle into the mandates of a growing number of federal departments and agencies (Potter 2004, 56).
With the election of the PC government in 1984, much of Trudeau’s efforts to extend government oversight over foreign investment were reversed in favour of opening the Canadian economy. Several crown corporations were privatized and the state’s role in social provision reduced (although not completely) (Hale 2008, 723; Swarts 2013, 103-105). Canada’s foreign policy took a decidedly pro-US turn and attempts to diversify trade relations fell off the agenda. Mulroney’s 1989 Going Global strategy identified North America, Asia Pacific and Europe as three pillars for international business development (Gecelobsky and Kukucha 2001, 43). However the increasing transnationalization of global production processes and the ideological convergence aided by the adoption of neoliberalism in the Americas brought an economic restructuring that buttressed the expansion of Canadian firms in the region (Sánchez-Ancochea and Shadlen 2008, 4; Rochlin 2012, 5). Canadian firms became important players in Latin America’s mining, utilities (water and energy), chemicals, infrastructure and financial services sectors, even if overall CDIA flows to the region were dwarfed by the US and Europe (UNCTAD 2012).

The economic crisis experienced in Canada during the first half of the 1980s helped create the impetus needed for a rethinking of Canada’s protectionist foreign economic policy. Growing corporate activism meant that business interests gained greater influence within foreign policy-making circles. The election of the PCs in 1984 opened more space for these voices, as Mulroney became the champion of a neoliberal agenda in Canada. Though Latin America was not a foreign policy priority, Canadian firms benefitted from new opportunities created by the deregulation and privatization of Latin American economies.

The signing of the Canada-US free trade agreement (FTA) exemplified the reorientation of Canadian foreign policy toward the US. With negotiations beginning in 1986, the FTA became a divisive political issue and set off a debate on free trade in Canada. While the PC government argued the deal was needed to ward off American protectionism, the Liberal party under John Turner accused the Tories of selling out Canadian sovereignty. The debate absorbed the 1988 federal elections, with the PCs securing a majority government. Despite continued opposition to the FTA within broad sects of the Canadian public, Mulroney leveraged his majority government to advance the agreement (Swartz 2013, 198). Fearing the possibility of centering the North American market on the US, the PCs then entered into ongoing negotiations between the US and Mexico on what would become the North American Free Trade Agreement (NAFTA).

Budgetary cuts and subsequent desires to decentralize responsibility over development assistance to Canada’s burgeoning NGO community encouraged the Mulroney government to allow new space for CIDA and NGOs to explore emerging areas of global governance, including human rights, the environment and gender. At the same time the Canadian business community continued to build ties of its own with CIDA, a process that was facilitated by the CIDA-Industrial Cooperation Program and a CIDA-business liaison committee. Though CIDA’s institutional capacity increased
immensely as a result of these trends, its autonomy was eroded by Mulroney’s attempts to assert External Affairs/DFAIT supervision over CIDA activities (Cooper 1997, 232).  

Once the Liberals regained power in 1993 under Jean Chrétien, the federal government adopted an agenda of active multilateralism centered on the promotion of international regimes. Although the Liberal Party opposed NAFTA in its early stages, emphasis in economic policy was placed on supporting the growth of the multilateral trading system by concluding NAFTA negotiations, supporting the newly established World Trade Organization (WTO) and deepening Canada’s participation in the G-7 and Organization for Economic Cooperation and Development (OECD) (Gecelobsky and Kukucha 2001, 44). With the establishment of Mercosur in 1991 and the push from the US to extend NAFTA-like coverage to southern partners, Canada actively supported negotiations towards a Free Trade Area of the Americas (FTAA) that would extend investment rules throughout the Western hemisphere. Canada also actively supported the OECD’s Multilateral Investment Agreement and pushed for the inclusion of investment rules in the WTO.

At its signing, NAFTA was the first FTA to cross the North-South divide. It also surpassed existing FTAs in covering areas beyond trade in goods, encompassing a broader set of regulatory provisions related to investment, intellectual property and government procurement. NAFTA’s Chapter 11 on investment was included to placate US-based transnational firms interested in securing entry and operation in the Mexican and Canadian markets. The US government leveraged its advantageous bargaining position to ensure that investment provisions were included (Cox 2008, 1532-1533; Cameron and Tomlin 2000, 51 - 52). NAFTA’s Chapter 11 was an important turning point in Canadian foreign economic policy as it set a new standard of investment protection that came to inform Canada’s own expectations about the kind of investment rules necessary to pursue. Indeed, Canada’s FIPA model was based strictly on NAFTA’s Chapter 11 and used to inform negotiations on other agreements for a decade after (Peterson 2006). Canada’s historic and continued dependence on the US market meant that Canada’s own approach to foreign investment promotion was influenced heavily by standards originating in the US.

Following stalls in multilateral agreements, the Liberals pursued bilateral agreements with a strategy of competitive liberalization. From the mid 1970s onward, the outward FDI stock emanating from Canada into the global economy as a proportion of the country’s GDP climbed. By 1997, Canada became a net capital-exporter - a significant change in Canada’s historic position as a predominantly host economy (Hejazi 2010, 12). This trend reflected the emergence of an increasingly active group of Canadian MNCs interested in expanding investment rules to secure their access to foreign market opportunities. By 2001, Canada put into force fourteen FIPAs and three FTAs modeled after NAFTA’s Chapter 11. Efforts were also taken up with the Andean Community and Mercosur to negotiate multilateral FTAs and thereby secure Canadian firms’ access to

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1 This included granting ministerial oversight of CIDA to the minister of external relations and the allocation of an increasing amount of CIDA’s budget to be administered by the DEA/DFAIT (Cooper 1997 232).
South American markets. Rising commodity prices greatly increased the interests of extractive firms in both Canada’s own natural resources and those found in South America, thus the extractive industry became increasingly transnational.

By the time they were defeated in 2006, the Liberals dramatically reduced barriers to capital by expanding the PC’s free trade strategy. The Liberals also took up highly publicized Team Canada trade missions aimed at developing Canada’s brand in international markets. In 1997, all existing international business development activities across government departments were brought under the Team Canada Inc. (TCI). The TCI was charged with better coordinating and managing department responsibilities and within its first years came to represent twenty government departments and agencies (Potter 2004, 57).

Rapid deindustrialization and the shrinking of Canada’s manufacturing sector have buttressed the importance of extractive and financial sectors as contributors to the country’s economic performance in terms of employment and government revenue. Thus, both sectors are identified as priorities in both the GCS and GMAP. As North and Young (2013) observe, Canadian mining operations expanded considerably in the last decade. Canadian stock exchanges now list more mining companies than any other exchange in the world and play an important role in sourcing venture capital. The mining sector is also an important source of government revenue, despite the fact that Canada has one of the most competitive tax regimes for mining and mineral exploration companies in the world. Between 2000 and 2011, the mining sector generated $20 billion in corporate income tax, $12.9 billion of which went to the federal government. This is in addition to mining royalties paid to governments, which more than tripled during the same period and continue to grow (NRCan 2014, 44). It is estimated that the mining industry contributed $9 billion to the federal government in 2012 alone (Prado 2013). Extractive firms are some of the most politically active corporate players in Canada and actively push for the conclusion of additional, stringent investment rules.

CIDA and EDC have a history of intervening on the side of Canadian extractive firms’ interests that does not begin with the current Conservative government. In 2002, CIDA made a CAN $9.6 million investment in Peru under the Mineral Resources Reform Project, which provided technical assistance to the Peruvian government in order to improve the administration of the country’s mining sector. CIDA also provided financial and technical assistance to Colombia for the establishment of its 2001 mining code.

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2 This includes the lowest corporate income tax rate amongst G7 countries, profit-based royalty systems and a variety of tax incentives designed to promote exploration activities at home and abroad (NRCan 2014).

3 Abilities to compare this revenue stream with that provided by other industries are limited by the lack of available data.

4 Canadian extractive firms have been heavily lobbying the government for the adoption of favourable policy options. In 2012, The Canadian Association of Petroleum Producers and the Canadian Mining Association were among the top three industry associations in terms of meetings held with federal political officials according to a lobbying registry made public by the Hill Times (2013). According to both industry associations’ websites, both companies advocate for the adoption of FIPAs and FTAs with investment chapters, particularly in Latin America among other regions.
which is favourable for Canadian extractive firms (Gordon and Webber 2008, 69). EDC has also supported mining investments since the 1990s that have been received in a critical light by civil society groups (Halifax Initiative 2007).

Yet it cannot be argued that trade and investment promotion, and the use of FTAs and FIPAs in particular, has been entirely uncontested in Canada. As Elizabeth Smythe (2001) notes, Canadian civil society organizations (CSOs) have been active in politicizing free trade since Canada’s debate over economic integration with the US. Indeed, Canadian CSOs actively participated in transnational activist networks that sought to problematize the impact of multilateral and bilateral FTAs, particularly the OECD’s Multilateral Agreement on Investment, NAFTA and the FTAA. Canadian civil society has pressed for greater access to FTA negotiations and greater transparency and accountability in trade and investment disputes. In 2004, partly in response to concerns voiced by civil society, Canada adopted a revised FIPA model that included provisions for the enhanced transparency of arbitration mechanisms. The new model also preserves to a greater degree governments’ rights to regulate in particular areas, for example by providing reference to the goal of ‘sustainable development’ in the agreement’s preambles and preserving governments’ right to legitimate, non-discriminatory public interest regulation (Peterson 2006, 3). Yet as Peterson (2006) observes, the new FIPA model closely resembles its predecessor and introduces additional restrictions on governments’ use of performance requirements. Thus, progressive changes have been accompanied by requirements that demand a greater liberalization of investor affairs.

Many elements of Canada’s current foreign economic policy can be understood as a continuation of historic trends towards the prioritization of commercial interests that began in the 1980s. Indeed, with the onset of neoliberalism in Canada came a more pro-free trade oriented foreign policy agenda. As a result of these efforts, most of the tariffs between Canada and its trading partners are now very low. Canada, like many developed countries, switched its focus towards negotiating additional regulatory areas such as investment, government procurement and intellectual property. Thus, the emphasis placed under the GMAP on expanding CDIA is in part a result of previous governments efforts to reduce barriers to trade. The gradual opening of the Canadian economy and the strengthening of a transnationally oriented business group also increased pressure for investment protections. Thus, these processes greatly aided the shift in prioritization from trade development to foreign investment promotion. The emphasis on promoting natural resource and finance sectors in Latin America is a result both of economic restructuring (deindustrialization) in Canada as well as rising commodity prices. These trends shifted both material and political power into the hands of corporate elites in these sectors, which informed the governments’ approach in lending particular diplomatic support to these sectors.

What is unique about Canada’s current strategy is the emphasis it places on securing investor rights through FIPAs and investment chapters in FTAs at a time when these agreements are becoming increasingly problematized in other parts of the world. Indeed, the government has refused to place binding obligations on extractive firms by disallowing the establishment of enforcement mechanisms for the extractive sector CSR
code. This effectively raises the power of extractive firms to place demands on host-
governments while dissolving the ability of governments to hold extractive firms
responsible for harms done to local communities. As will be discussed in the preceding
section, this stands out particularly in Latin America where there is a fundamental
rethinking of the rights given to transnational firms.

Contested Capital

Canada’s commitment to advancing investment rules through FIPAs and
investment chapters stands out in the context of rising concerns regionally and
internationally over the consequences the agreements have on governments’ abilities to
promote development policy while regulating corporate activities. With steady growth in
the number of claims brought by foreign investors against host-states, an increasing
number of governments refuse to sign on to investment agreements. Resistance to IIAs
gained traction in New Left countries of Latin America including Bolivia, Ecuador,
Argentina and Venezuela. Similar positions are being adopted by a growing number of
countries, including Australia, Indonesia and China. Moreover, several Latin American
governments are challenging the authority of international arbitration tribunals,
particularly ICSID, which is the most common dispute mechanism provided for in IIAs.

While much of the contestation of the international investment legal regime has to
do with the increasing number of cases filed against host-governments, in Latin America,
this is also linked to the rise of anti-imperialist logic. Notably, Ecuador, Bolivia and
Venezuela withdrew from ICSID jurisdiction and have renounced their country’s
membership in a variety of IIAs. This is largely due to a desire to defend state autonomy
from what is seen as a system dominated by northern interests (Poulsen and Aisbett 2013;
Jandhyala, Henisz and Mansfield 2011). These countries, joined by Nicaragua and
several Caribbean countries have also established an alliance aimed at developing a
common platform for fighting lawsuits brought against them under BITs. This group is
calling for the establishment of an alternative arbitration centre under the rubric of the
Union of South American Nations (UNASUR), in an attempt to reassert greater
ownership over arbitration proceedings (Fiezzoni 2012).

Governments hosting Canadian firms have become acutely aware of the rights
that IIAs give to foreign investors. Of the eight cases brought to ICSID under Canada-
Latin America IIAs, all eight involve Canadian companies suing Latin American
countries. With the exception of NAFTA cases, no suits have been brought against
Canada under Canada-Latin America agreements. Extractive firms are among the most
frequent users of the rights granted to them in IIAs. This includes a $1 billion suit
brought against Costa Rica by Canadian gold mining firm Infinito Gold after the Costa
Rican government introduced a new mining law in 2011 that rendered the company’s
open-pit mine illegal (Komnenic 2011).

The escalating wave of Canadian extractive firms entering Latin America
generated much attention from communities in the region that are fighting to defend their
livelihoods from the environmental and destructive consequences of extractive activities.
In 2009, Canadian companies were involved in one third of the 171 cases of conflict between mining and exploration firms and local communities in the developing world (North and Young 2013, 97). In March of 2013, thousands of Colombians rallied in the streets to defend their water supply from a Canadian gold mining project. This was the fourth and largest anti-mining demonstration in the area since 2010. Canadian companies were also targeted by protestors in Ecuador, Peru, Bolivia, Dominican Republic, Slovakia, Romania and Israel (Canadian Broadcasting Corporation 2013) and have become the center of legal disputes brought to Canadian courts and inter-American human rights system by communities seeking redress for harm done (North and Young 2013, 97).

The Canada-Colombia FTA garnered much attention from human rights, labour and environmental groups. These groups mobilized in opposition to the agreement, seeking to expose the Colombian government’s abysmal human rights record and the ongoing violence that threatened union members, indigenous groups and communities in the country. Concern was expressed over the sanctioning that signing such an agreement would bring to such violence and the potential of the FTA to contribute to worsening conditions. Despite strong evidence indicating an escalation in killings of trade unionists and internal displacements, the Harper government argued that security and stability in the country had increased. Concerns were also expressed over the excessive investor rights contained in the agreement and the voluntary nature of its CSR standards. After its conclusion, the agreement was heralded as the most stringent FTA in Canadian history (Grinspun and Mills 2012, 67; Randall 2010, 11 - 12).

The labeling of countries governed by right and right-of-centre regimes such as Colombia, Peru and Chile as ‘like-minded’ and the diplomatic discourse emphasizing Canada’s shared experience as a natural resource economy with these countries is also striking. The term ‘like-minded’ was once reserved solely for countries that shared Canada’s commitment to advancing human rights. The use of the term ‘like-minded’ in reference to economic partners reflects a broader shift in how Canada frames its shared identity with international partners. As will be discussed, Canada’s engagement in the region has been politicized for supporting both firms and regimes accused of human rights abuses.

The continued diplomatic and financial support granted to Canadian investments in Latin America have become increasingly politicized, however the prevalence of neoeextractivist development models in Latin America has meant that much of the region continues to welcome Canadian firms and CIDA natural resource governance experts (Veltmeyer 2013). However, evidence suggests that a growing number of Latin American countries are rethinking their position as referees between domestic interests and foreign capital, particularly amongst the New Left countries mentioned above. While this has yet to materialize in viable institutional alternatives at a multilateral scale, growing resistance to the kinds of investment rules found in Canada’s FIPAs will challenge the Canadian government to go further in securing investor rights in the region.
Conclusions

Since the 1980s and the onset of neoliberalism in Canada, Canadian foreign policy has become more narrowly focused around commercial interests. Under Mulroney, this resulted in the pursuit of continental integration and the prioritization of Canada-US relations. Under the succeeding Liberal government, Canadian foreign policy came to be centered on the promotion of international regimes, most notably the multilateral trading system. More recently Canadian foreign policy privileges bilateral engagement with preferred countries based on economic and ideological considerations. What stands out from previous governments is the emphasis placed on promoting investment rules and dwindling concern for human rights and human security agendas.

In Latin America, Canada’s prioritization of foreign investment promotion has materialized in a particular focus on the promotion of Canadian of extractive sectors. This has buttressed the restructuring of Latin American economies around natural resources, often with negative results for local communities. As Canada promotes the institutionalization of investor rights through FIPAs and investment chapters, it subsequently has reduced the power of host governments to regulate the activities of foreign firms and of civil society to hold Canadian firms accountable for harms done. However, the growing politicization of investment rules and Canadian extractive projects in the region may hold promise for a fundamental rethinking of investor rights in Canada.
### Table 1: Canadian Direct Investment Abroad: Central and South America (SM)

<table>
<thead>
<tr>
<th>Country</th>
<th>1987</th>
<th>% total*</th>
<th>1993</th>
<th>% total</th>
<th>1996</th>
<th>% total</th>
<th>1999</th>
<th>% total</th>
<th>2002</th>
<th>% total</th>
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<td>419</td>
<td>9.64</td>
<td>1,037</td>
<td>16.65</td>
<td>3,274</td>
<td>19.16</td>
<td>5,032</td>
<td>22.40</td>
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<td>Bolivia</td>
<td>x</td>
<td>x</td>
<td>5</td>
<td>0.01</td>
<td>41</td>
<td>0.41</td>
<td>63</td>
<td>0.37</td>
<td>44</td>
<td>0.20</td>
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<td>1,247</td>
<td>74.58</td>
<td>1,594</td>
<td>45.88</td>
<td>3,232</td>
<td>48.59</td>
<td>4,662</td>
<td>27.27</td>
<td>6,661</td>
<td>29.53</td>
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<td>Chile</td>
<td>56</td>
<td>3.34</td>
<td>1,225</td>
<td>28.20</td>
<td>3,281</td>
<td>32.97</td>
<td>5,049</td>
<td>29.54</td>
<td>6,639</td>
<td>29.43</td>
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<td>0.78</td>
<td>32</td>
<td>0.74</td>
<td>342</td>
<td>3.34</td>
<td>842</td>
<td>4.93</td>
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<td>x</td>
<td>x</td>
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<td>0.45</td>
<td>59</td>
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<tr>
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<td>x</td>
<td>x</td>
<td>81</td>
<td>0.81</td>
<td>66</td>
<td>0.39</td>
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<td>45</td>
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<td>11.59</td>
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<tr>
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<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>37</td>
<td>0.22</td>
<td>1</td>
<td>0.00</td>
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<tr>
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<td>5.75</td>
<td>416</td>
<td>4.12</td>
<td>308</td>
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<td>205</td>
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<td><strong>Total Regional</strong></td>
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<td><strong>2.25</strong></td>
<td><strong>4,346</strong></td>
<td><strong>3.55</strong></td>
<td><strong>9,952</strong></td>
<td><strong>5.49</strong></td>
<td><strong>17,061</strong></td>
<td><strong>5.88</strong></td>
<td><strong>22,555</strong></td>
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<tr>
<td><strong>Total Global</strong></td>
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<td><strong>122,427</strong></td>
<td><strong>181,238</strong></td>
<td><strong>290,730</strong></td>
<td><strong>435,494</strong></td>
<td><strong>819,968</strong></td>
<td><strong>1,072,266</strong></td>
<td><strong>1,515,440</strong></td>
<td><strong>2,038,546</strong></td>
<td><strong>2,894,938</strong></td>
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<table>
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<tr>
<th>Country</th>
<th>2005</th>
<th>% total</th>
<th>2008</th>
<th>% total</th>
<th>2011</th>
<th>% total</th>
<th>2013</th>
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<td>Argentina</td>
<td>4,182</td>
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<td>3,157</td>
<td>10.02</td>
<td>2,725</td>
<td>8.01</td>
<td>3,401</td>
<td>7.62</td>
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<tr>
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<td>80</td>
<td>0.39</td>
<td>203</td>
<td>0.64</td>
<td>107</td>
<td>0.31</td>
<td>143</td>
<td>0.32</td>
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<tr>
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<td>32.97</td>
<td>9,873</td>
<td>31.34</td>
<td>10,411</td>
<td>36.63</td>
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<td>24.77</td>
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<td>Chile</td>
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<td>25.73</td>
<td>10,856</td>
<td>34.46</td>
<td>10,376</td>
<td>30.35</td>
<td>16,642</td>
<td>37.29</td>
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<td>1,033</td>
<td>3.34</td>
<td>1,227</td>
<td>3.61</td>
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<td>5.29</td>
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<tr>
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<td>185</td>
<td>0.59</td>
<td>x</td>
<td>x</td>
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<tr>
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<tr>
<td><strong>Total Regional</strong></td>
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<td><strong>31,504</strong></td>
<td><strong>4.90</strong></td>
<td><strong>33,987</strong></td>
<td><strong>5.03</strong></td>
<td><strong>44,628</strong></td>
<td><strong>5.73</strong></td>
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<td><strong>675,020</strong></td>
<td><strong>779,292</strong></td>
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<td><strong>1,072,266</strong></td>
<td><strong>1,515,440</strong></td>
<td><strong>2,038,546</strong></td>
</tr>
</tbody>
</table>

Sources: Department of Foreign Affairs, Trade and Development and the Economic Commission for Latin America and the Caribbean 2012 report (Guatemala). X Missing or insufficient data.
* CDIA flows to each country as percentage of total regional flows to Central and South America.
** Regional total expressed as percentage of total global CDIA flows.
Note: Although figures are available for Mexico, it is often included in Canadian foreign policy discourse as occupying North America (rather than Latin America proper).

Data missing or withheld from source for: Belize, El Salvador, French Guiana, Guyana, Honduras, Paraguay, Nicaragua, and Suriname.
Sources


