



CANADIAN GLOBAL AFFAIRS INSTITUTE
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Engagement and Pragmatism: Towards an Enduring Canadian Strategy in Latin America

by **Eric Miller**
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► **Executive Summary**

With a majority government and a different world view than his predecessor, Prime Minister Justin Trudeau is re-making Canada's foreign policy priorities and approaches. This paper offers some suggested approaches for engagement with Latin America. In the area of trade, the paper recommends seeking associate membership in the Pacific Alliance while continuing to strengthen linkages with Mexico within the North American commercial policy framework. It also suggests exploring the scope of what is possible with countries with which Canada does not have free trade agreements, especially Brazil and Ecuador. On the security front, the paper suggests that Canada needs a strategy for the Colombian peace process and to step up support to Mexico in strengthening the integrity of the southern border of North America. With regards to foreign policy, Canada needs a serious strategy for the new Cuba and needs to expand its diplomatic representation, namely in Paraguay and Bolivia. Finally, on the institution-building front Canada needs to secure senior positions at the Inter-American Development Bank and Organization of American States in order to help to drive institutional reform. Canada further needs a coherent strategy to attract in-bound foreign investment from Latin America. The region is rich with possibilities and a coherent engagement strategy can deliver much.

The author would like to thank Colin Robertson, Kenneth Frankel, J.D. Smith, and an anonymous reviewer for their thoughtful comments.





The election of Justin Trudeau will see a re-setting of Canada's foreign policy. As the new Prime Minister and his team assess opportunities for Canada to significantly enhance its international relationships, Latin America and the Caribbean should garner special attention. The constellation of actors as well as the opportunities and challenges in the region allow Canada to advance its interests and have a high impact on an array of foreign policy, economic, and governance matters.

When the Harper Government came to office, it also recognized the value of engaging in the hemisphere. In 2007 the Prime Minister announced that the Americas would be a top foreign policy priority for Canada. In the intervening years, Canada signed four new free trade agreements in the region and hosted the Pan-Am Games in Toronto in 2015.

Yet a lack of consistent and constructive Canadian engagement in the hemisphere proved injurious to the translation of Mr. Harper's strategy into enduring influence. Peter Hakim, President-Emeritus of the Washington-based Inter-American Dialogue, noted "Canada has pretty much dropped off the radar screen ... for the past couple of years". He argues that Canada's failure to name an Ambassador to the Organization of American States (OAS) in the run-up to the last Summit of the Americas, which took place in April 2015, hurt its ability to shape outcomes at the highest levels in the hemisphere.¹

If Canada does not make a consistent effort to engage and offer helpful solutions while concurrently pursuing its national interest, it will fade into irrelevance in Latin America. The U.S., Brazil, and Mexico can arguably coast in their engagements in the region without fundamentally diminishing their influence. Canada, without shared borders, linguistic connections, or a deeply interconnected history, has no such luxury.

One advantage that Canada does have in Latin America is strong commercial ties. Some companies like Scotiabank see the region, and the Pacific Alliance countries in particular (Chile, Colombia, Mexico, and Peru), as the core drivers of their future growth.² Others are exploring opportunities. CIBC, for example, recently opened a representative office in Colombia – its first in Latin America. Brookfield has been in Brazil for 100 years and invests throughout the region. Bombardier manufactures aircraft components in Mexico, a country that also hosts some two million Canadian travellers per year. Large and small Canadian mining companies are active throughout Latin America. In total, Canadian firms had more than \$55 billion in direct investment holdings in the region in 2013.³ While having Canadian-based firms present very much helps "Brand Canada" and delivers huge economic benefits both in country and at home, supporting Canadian foreign policy is not at the forefront of their considerations. Canadian

¹ Ibid. Canada did finally name Jennifer Loten, a talented and experienced diplomat, as OAS Ambassador in August 2015.

² Speech by Brian Porter, President and CEO, Scotiabank, April 25, 2014. <http://www.scotiabank.com/ca/en/o,,7883,00.html>.

³ *Canada's State of Trade: Trade and Investment Update – 2014*. Foreign Affairs, Trade and Development Canada. October 8, 2014. http://www.international.gc.ca/economist-economiste/performance/state-point/state_2014_point/index.aspx?lang=eng.



firms operating in Latin America focus on what they would anywhere: delivering superior products and services to their customers and value to their shareholders. In short, Canadian business is a key complement to, but not a substitute for, robust Canadian government engagement in the region.

The day after securing his historic election victory, Mr. Trudeau stated that Canada was “back” as a “compassionate and constructive voice” in world affairs. This paper offers some specific suggestions about turning this vision into action in Latin America.

How We Got Here

In the century after Confederation, Canada was substantially disengaged from Latin America. Major states in the region invited Canada to join the Pan-American Union after its formation in 1910. Given active opposition of the United States due to the Monroe Doctrine and limited economic interests, this never materialized. In the post-World War II period, Canada declined to join the Union’s successor, the OAS, due to concerns that it was excessively dominated by the United States.

The arrival of Pierre Trudeau as Prime Minister in 1968 marked an important shift. Mr. Trudeau, who spoke fluent Spanish, sought to actively build relations throughout the region. Canada joined the Inter-American Development Bank (IDB) in 1972. It also developed policies toward Cuba and, later, Central America, which were at odds with established U.S. positions.

The Mulroney Government extended Trudeau’s strategy of engagement, including contributing positively to the path to peace in Central America. Canada finally joined the OAS in 1990. The North American Free Trade Agreement (NAFTA), the negotiation of which was completed in 1992, linked Canada’s economy to the rest of the Americas as never before.

NAFTA was a true inflection point that changed the economic orientation of Mexico and the regional order in the hemisphere. After NAFTA, Canada began to think about countries in Latin America as markets of opportunity. It almost certainly would not have negotiated free trade agreements with Chile and Costa Rica and later with Peru and Colombia were it not for the first step with Mexico. The Free Trade Area of the Americas (FTAA) process would also not have been possible without NAFTA.⁴

The Chretien Government deepened its engagement in the region through the Summit of the Americas process, including hosting the heads of government meeting in Quebec City in April 2001. The Quebec City Declaration proved to be a significant achievement of Canadian foreign policy, particularly as it included a democracy clause and an instruction to Foreign Ministers to develop an “Inter-American Democratic Charter” that could be applied in the event of “any

⁴ The author observed these dynamics as a trade consultant to the IDB throughout the FTAA process.



unconstitutional alteration or interruption of the democratic order” in the hemisphere.⁵ The Charter was adopted at the OAS General Assembly in Lima, Peru on September 11, 2001.⁶

With the collapse of the hemisphere-wide FTAA process in 2003, a central narrative of Canada’s regional policy disappeared. As countries fragmented into different ideological camps, Canada’s engagement became more transactional and less strategic.

In recent years, as Ottawa moved to balance its books, resources became more scarce and engagement thinner. Much work will be required of Justin Trudeau’s government if Canada is to again expand its influence in the hemisphere. The good news is that traditional Canadian pragmatism in foreign policy is well suited for the present political environment in the region.

Latin America Divided (But Evolving)

Over the past 20 years, Latin America has divided into two basic groups of countries – the globalizers and the nationalists.⁷ Recognizing the heterogeneity across the region is a prerequisite for any effective Canadian strategy.

The globalizers, including the Pacific Alliance countries, Costa Rica, and Panama, have embraced connectivity with global trade networks, an important role for the market in economic policy, and pragmatic relations with the United States. Their principle economic challenges are to build more *multilatinas* – international scale companies – and to drive innovation. Canada shares these challenges and has an excellent basis for deepening relations.

The nationalists include Brazil, Ecuador, Bolivia, and Venezuela. They see the state, rather than the market, as the essential instrument for guiding the economy. They have relatively few free trade agreements, but they have cultivated strong relations with China over the past decade. They retain a long-standing wariness of the United States. While there are vast differences between the sophisticated institutions of Brazil and the chaos of Venezuela, their views on economics, politics, and society are on the same continuum.

Yet, signs of change are emerging. The end of the “commodity supercycle” has proven to be a body blow to these countries, and it is forcing them to re-assess their economic strategies and relationships. Upheaval on the economic front is also spilling over into politics.

In November 2015, Argentina, which during the Kirchner years (2003-2015) epitomized nationalist insularity, elected as President Mauricio Macri, who has promised more pragmatic relations with the rest of the world. If he delivers on this promise, the impact on the “nationalist” ideology in Latin America may prove significant.

⁵ Declaration of Quebec City. 3rd Summit of the Americas. April 20-22, 2001. http://www.summit-americas.org/iii_summit/iii_summit_dec_en.pdf.

⁶ Inter-American Democratic Charter. http://www.oas.org/charter/docs/resolution1_en_p4.htm

⁷ A version of this typology is set forth in The Hon. John Manley’s article in the *Ask the Experts* section of the Summer 2015 issue of Americas Quarterly.



In December 2015, the opposition MUD alliance won a super-majority in Venezuela's parliamentary elections. This gives them the power to re-write the late-President Chavez's 1999 constitution and to put in motion a referendum process for the removal of President Nicolas Maduro, Mr. Chavez's handpicked successor.

Throughout 2015, Brazilian President Dilma Rousseff has been fighting for her political life amid corruption allegations and a poor economy.

While these political and economic upheavals will take time to unfold, they do spell potential opportunity for the Trudeau Government over the medium term. With an attitude of pragmatism, Ottawa should explore the extent to which renewed partnerships are possible with countries that have been rather standoffish in recent years.

A Strategy for Success

Canada's renewed strategy in Latin America should focus on four pillars: trade, security, foreign policy, and institutions. Development assistance can be an important tool to reinforce objectives in all of these areas.

Pillar One: Trade

Since NAFTA first catalyzed the deep expansion of its trade with Latin America 20 years ago, Canada has steadily pursued a wide array of trade agreements in Latin America. Over the next half-decade, Canada should focus on deepening its trade relations with the globalizer countries and seeking pragmatic commercial engagements where possible with the nationalist countries.

Pacific Alliance – Pursue Associate Membership

Chile, Colombia, Mexico, and Peru have embarked on a bold experiment to create an economic union based on the free movement of goods, services, capital, and people. The Pacific Alliance, as the process is called, has a combined GDP of \$2.13 trillion, a population of 220 million people, and an average growth rate over the past five years of 4.9 percent.⁸ The pragmatism and ambition of the Alliance has attracted 42 observer countries and a membership application from Costa Rica.

The basic requirement of membership is that all countries have free trade agreements with each other.⁹ Canada meets this threshold and, given our significant trade volumes with each of the

⁸ Barbara Kotschwar. *What Does the Pacific Alliance Mean for Canadian Trade and Investment?*. Canadian Council of the Americas. May 2015. http://www.ccacanada.com/wp-content/uploads/2015/05/CCA_Perspective-Paper_Pacific-Alliance-2015.pdf.

⁹ Ricardo Duarte Duarte. *¿Canadá, nuevo miembro de la Alianza del Pacífico?*. Portafolio. May 19, 2015. <http://www.portafolio.co/opinion/canada-nuevo-miembro-la-alianza-del-pacifico>.



countries, has actively considered applying for membership. In fact, Prime Minister Harper is the only non-member head of state to have attended two leaders' summits. Yet, Canadian barriers to labour mobility with Alliance countries and its system of supply management for certain agricultural products have been repeatedly cited as obstacles to full Canadian participation. The impact of these measures would undoubtedly intensify as the integration process deepens. In addition, Canada has expressed little interest in other aspects of the initiative, such as joint diplomatic representation in third countries.

The Alliance structure is now solidifying, and the Canadian Government needs to make a decision in short order about its future relations with the Alliance. The Trudeau Government should continue to pursue a close relationship with the Pacific Alliance, but seek to formalize by the end of 2016 a special "associate membership" status. This category does not presently exist. Nonetheless, Canada should approach the Mexican Government about championing its entry to the Alliance in this form. This could be cast as part of the "diplomatic dividend" that may be sought in return for lifting the visa requirement on Mexicans coming to Canada. Support from President Peña-Nieto, a focused diplomatic effort by the Trudeau Government, and participation by the Prime Minister in the next Alliance Heads of Government meeting should be enough to secure the creation of this new category. Both Canada and the Alliance members have much to gain politically and economically from this arrangement. If at some point in the future Canada wishes to upgrade to full membership status, the option is there, but it is not obligated to do so.

Champion Colombia's Entry into TPP

One prominent Latin American commentator recently observed to the author that the successful implementation of the Trans-Pacific Partnership (TPP) could pose an existential challenge to the Pacific Alliance. This is possible, but it is perhaps overstated, especially given how short the final TPP text falls of full free trade. The TPP has sought to go wide in its coverage whereas the Alliance has sought to go deep, making the two models very different.

Either way, Colombia, the second-largest Alliance economy, is not a member of the Trans-Pacific Partnership. Its absence from the TPP table is not for a lack of trying. Bogota repeatedly sought entry, only to be rebuffed. The stated reason is that Colombia is not a member of Asia-Pacific Economic Cooperation (APEC) group. Yet, when Colombia tried to join APEC in 1995, it was told that membership was closed.¹⁰ Of course, only 12 of the 21 APEC economies are in TPP, making it a rather arbitrary distinction at this juncture.

With TPP not even ratified, new countries are lining up to join. Indonesia's President Joko Widodo told President Obama in October 2015 that his country was seeking entry into TPP.¹¹

¹⁰ Carl Meacham. *Why is Colombia Not in the Trans-Pacific Partnership?*. Center for Strategic and International Studies. July 2, 2013. <https://csis.org/publication/should-colombia-join-trans-pacific-partnership>.

¹¹ "Indonesia will join Trans-Pacific Partnership, Jokowi tells Obama." The Guardian. October 27, 2015.

<http://www.theguardian.com/world/2015/oct/27/indonesia-will-join-trans-pacific-partnership-jokowi-tells-obama>.



Korea has long considered entry. As the membership of TPP expands, Canada should champion Colombia's entry. Not only would Colombia add important economic heft to TPP, but Canada would also position this with Colombia as an example of the benefits to be garnered from having it as an Associate Member of the Pacific Alliance.

Use Cross-Cumulation as a Mechanism to Link North America to Other Regions

North American integration is a cornerstone of Canadian foreign economic policy. Trade with the United States and Mexico now primarily occurs through supply chains that link the continent together. With inputs coming from multiple countries, the rules that establish the origin of goods in different markets and their eligibility for preferential treatment become critical. Each of the free trade agreements negotiated in recent years has separate rules of origin that are not connected with other agreements. Given commercial realities and a growing compliance burden associated with these many agreements, countries are increasingly interested in pursuing cross-cumulation – making the rules of origin in their various agreements “talk to each other”.

Canada has signed but has not yet implemented CETA, its free trade agreement with Europe, and Mexico is re-negotiating its 15-year-old agreement with Europe. The U.S is presently negotiating T-TIP – its own free trade agreement with Europe. Canada should push for cross-cumulation among the three North American countries with Europe.

This is permissible under the terms of CETA, which establishes that two prior conditions must be met. One, the EU reaches a free trade agreement with the United States (e.g. T-TIP). Two, Canada reaches a specific agreement with the U.S. and Mexico to operationalize this clause. In other words, the U.S. is the lynchpin in making cross-cumulation a reality.

All three countries lose if the U.S. does not work with Canada and Mexico to get some type of cross-cumulation arrangement. Why? Because Europe will be able to count the content of products for origin purposes and benefit from the synergies across its natural economic region, the EU, in its exports to North America while Canada, the United States, and Mexico, with separate agreements, will not be able to do this in their exports to Europe.

Yet logic does not always prevail in trade talks. The only way to make this happen may be for Prime Minister Trudeau and President Peña-Nieto to jointly ask President Obama to include language on cross-cumulation in T-TIP. The North American Leaders (NALS) Declaration should also commit the countries to begin working on an agreement to operationalize the mechanism after the agreement closes.

This cross-cumulation agreement among the three countries for Europe should also lay the foundation for the linking-up of North America's rules of origin with those of the Pacific Alliance. Canada's development program has already funded some exploratory work on how to connect its Peru and Colombia rules of origin that should prove useful.



One prominent Latin American trade expert recently praised the idea of cross-cumulation with Europe and the Pacific Alliance. He told the author that it is important both because it delivers commercial benefits to each of the three countries and because it reinforces the concept of North America as a workable economic unit.

Lift the Mexican Visa

In 2009, Canada imposed a visa on Mexican travellers. This has been injurious to trade, investment, and bilateral relations. During the recent federal election campaign, Mr. Trudeau included a commitment to lift the visa requirement on Mexican travellers in his platform. According to a November 15, 2015 tweet by President Peña-Nieto, he repeated the pledge at their first meeting, which took place on the margins of the G-20 Summit in Turkey. Prime Minister Trudeau should now make good on this pledge in as swift a manner as possible.

In lifting the visa, Canada is handing President Peña-Nieto a major diplomatic achievement. The key question is: What does Canada want in exchange for it? In addition to facilitating Associate Membership in the Pacific Alliance, one option is for Canada to seek a commitment for Mexico to support a Canadian for a senior international post. Canada backed Angel Gurría for Secretary General of the OECD in 2006 and Agustín Carstens against Christine Lagarde for Managing Director of the IMF. Canada should consider what might be workable in terms of the calendar and prospective competition.

Separately, the lifting of the Mexican visa should also encourage an analysis of our visa policies toward other countries in the region. Costa Rica, for example, with its high level of development, strong level of education, and diverse economy would seem an obvious candidate for reconsideration. Moving that country into a visa-free category, but requiring electronic travel authorization may represent a viable option.

Brazil – Explore Possibilities

Brazil has a complex relationship with Canada. Bitter trade fights over beef and airplanes have not helped matters. Nor has Brazil's reticence to complete trade agreements outside of its own neighbourhood.

In August 2011, Prime Minister Harper and President Rousseff announced the creation of the Canada-Brazil CEO Forum. While Canada fielded top business leaders to participate, the Forum died due to a lack of Brazilian interest.

During the commodity boom, everyone was knocking on Brazil's door. Now fewer are coming as the country struggles with economic and political challenges.

For Canada, this may be precisely the time to explore ramping up its engagement with Brazil. With few other suitors and a compelling need to drive economic growth, Brazil may now look positively on a trade enhancement proposal from Canada.



Given the failure of past trade talks, Canada should go in with low expectations. So as to appropriately scale the scope of ambition, perhaps Canada and Brazil could start by focusing on sectors of mutual interest rather than a full free trade agreement. Given that Ford already exports vehicles from Canada to Brazil and has factories in both countries, the auto sector would be on that list. Almost any sort of freer trade with Brazil would be in Canada's interest.

One key challenge that Brazil will have to overcome is how any bilateral initiative with Canada would square with the Mercosur common market. Canada should not prioritize an arrangement at this time that would require it to deal with all Mercosur countries¹² simultaneously. This has been attempted in the past and would seem to have little prospect of success. If Brazil is willing to work with Canada bilaterally, much becomes possible.

Ecuador – Be Receptive

Canada has reasonably positive relations with Ecuador, although the economic policy and political rhetoric of the Correa Government has left some investors feeling nervous. Against the backdrop of lower commodity prices, there are some indications that Ecuador may now be interested in stronger relations. Canada should embrace this opportunity and actively explore the scope of what is possible.

One potential area of engagement could be in skills training and research. The government is actively seeking to up-skill key parts of the population by establishing and promoting four science, technology, and research universities. Exploring partnerships with these institutions of higher learning could provide a useful path of engagement in Ecuador.

A second area of engagement is in renewable energy. Ecuador has set a target of getting more than 90% of its energy from sustainable resources, and there could be scope for major Canadian firms to engage further in this space.

With regards to more classic trade and investment opportunities, the ball is solidly in Ecuador's court. If they are willing to come forward with a focused and serious proposal, they may be able to move the needle with the new Trudeau Government. Anything less would undoubtedly be ignored on an already packed policy agenda.

Pillar Two – Security

Latin America has long suffered from high levels of violence. In particular, Honduras, El Salvador, and Venezuela have some of the highest murder rates in the world. There also are long-standing civil wars. Canada has an important contribution to make in two of the most challenging security situations in the region.

¹² Mercosur members are Argentina, Bolivia, Brazil, Paraguay, Uruguay, and Venezuela.



Mexico's Southern Border

Mexico's southern frontier with Central America is the southern border of North America. It presently faces significant pressures from the movement of illicit products and undocumented migrants.

In 2014, the Peña-Nieto Government launched the *Programa Frontera Sur* (Southern Border Program). This program, combined with ongoing technological support from the United States, has enhanced the integrity of this border. In fact, according to U.S. and Mexican government data, Mexico now detains more Central American migrants than the United States.¹³

For Canada, the effectiveness of Mexico's southern border is not divorced from its own security and economic interests. What happens on that border impacts policy flexibility on the U.S.-Mexico border, which in turn impacts the scope for action on the Canada-U.S. border. There has been at least one recent case in which an initiative focused on facilitating the movement of business travellers across the Canada-U.S. border was de-railed by a surge in undocumented Central American migrants transiting Mexico and arriving in the United States. There are also limits, politically speaking, to the degree to which policies related to the U.S.-Mexico border can be fully de-linked from the U.S.-Canada border. Secure and efficient borders in North America start on its southern perimeter. Consequently, Canada should partner with Mexico and the United States in continuing to modernize and improve the integrity of Mexico's border with Central America.

Strengthening Mexico's southern border, however, is not enough. To deal with the long-term sources of strain, it is necessary to address the push factors in the gang and violence-infested countries of Central America's northern triangle. For many parents in El Salvador, Honduras, and Guatemala, sending their children on the perilous overland journey to the United States offers a better bet for their future than resisting the recruit-hungry criminal gangs that own their home neighborhoods.

Recalling its contributions to peace in Central America in the 1980s, Canada should assess how it can best contribute to a strategy to counter the gangs, increase citizen security, and improve economic prospects. At the beginning of 2015, U.S. Vice President Joe Biden sought resources and political capital to address the Central America situation – neither of which materialized.¹⁴ Perhaps what will work in the region are Canadian-style focused initiatives that can experiment with potential solutions in certain parts of the northern triangle. There is no playbook. Smaller-scale, evidence-based approaches seem to be the only path forward at this juncture.

¹³ *Mexico now detains more Central American migrants than the United States.* [Washington Office on Latin America](http://www.wola.org/news/mexico_now_detains_more_central_american_migrants_than_the_united_states), July 2015.

http://www.wola.org/news/mexico_now_detains_more_central_american_migrants_than_the_united_states.

¹⁴ Joseph Biden. *A Plan for Central America.* [New York Times](http://www.nytimes.com/2015/01/30/opinion/joe-biden-a-plan-for-central-america.html?_r=0), January 29, 2015.

http://www.nytimes.com/2015/01/30/opinion/joe-biden-a-plan-for-central-america.html?_r=0.



Colombia Peace Process

Over the past half-century, the Colombian civil war has killed 220,000 people and displaced millions. The government and the two main rebel groups are now pursuing complicated negotiations to end the conflict.

In November 2012, the Colombian Government and the FARC rebels launched peace talks in Havana. They have given themselves until March 2016 to finalize an agreement. They have agreed that a final package would address: (1) land reform; (2) political participation of the rebels; (3) an end to illegal drug production; and (4) amnesty for combatants.

In a separate process, the Colombian Government and the smaller ELN rebels are presently developing the modalities for peace talks.

While both processes have every chance of succeeding, their conclusion and implementation will be messy and non-linear. Making the peace process work is crucially important for President Santos. Hence, Bogota is seeking the assistance of international partners, monitors, and guarantors.

Norway and Cuba are the two “guarantor countries” in the FARC peace process and others in Latin America are already lending a hand. Norway even has one of its NGOs undertaking the first de-mining project related to the peace process.¹⁵

Certain observers in the region lament that Canada heretofore has not developed a coherent strategy for aiding the peace process. This should become a Canadian foreign policy priority. From de-mining to land titling, Colombia will need significant support. Canada should take inspiration from Norway, coordinate with others, and own part of the peace process. It would enhance our diplomatic standing in Bogota and beyond and make a meaningful contribution to resolving a long-standing security challenge.

Pillar Three – Foreign Policy

There are significant foreign policy options open to the new government. An overarching theme should be creative engagement. To carry this out, Canada needs to expand the quantity and, in certain countries, raise the level of its diplomatic representation abroad.

Respond to the New Cuban Context

Canada is one of only two countries in the hemisphere that maintained diplomatic relations with Cuba after the 1959 revolution. Over the years, Canada’s strong linkages with both Cuba and the United States have allowed it to play an important intermediation role. This included providing

¹⁵ For a complete overview of the Colombia Peace Process, please see <http://colombiapace.org/>, which is run by the U.S. NGO the Washington Office on Latin America.



support to the December 17, 2014 agreement that facilitated the re-establishment of diplomatic relations between Washington and Havana.

An easing of U.S.-Cuba relations should be very much welcomed. The increase in commerce and connections across the Florida Straits is also sure to change conditions on the island. Unless Canada acts proactively, a growing U.S. influence risks eroding Canada's established market share and diplomatic influence in Cuba.¹⁶

Given the context of change in Cuba and the arrival of a new Trudeau Government in Ottawa, the time seems right for a full reassessment of Canada's policy instruments and approach in Havana. Justin Trudeau will benefit from an enormous store of political capital emanating from his father's close relationship with Fidel Castro. The key is to figure out how to spend it in a manner that reinforces Canadian diplomatic and economic interests, but which is also helpful to and accepted by Havana.

Canada should start with needs. Cuba needs infrastructure, and Canada has enormous expertise in building and operating infrastructure. Ottawa should therefore organize some of its financing instruments to catalyze the undertaking of these projects. Canada should additionally look for other areas where its goods and services can find a market. It is further advisable to look for partnership opportunities in areas such as medical research, where Canada and Cuba have potential synergies. Finally, Canada should explore what types of constructive projects can support Cuba's institutional and technological development.

On the international front, Canada is well placed to play a leadership role in facilitating the entry of Cuba into the Caribbean Development Bank. CDB membership would play an important role in setting the table for the eventual entry of Cuba into the Inter-American Development Bank (IDB).

To operationalize all of this, Canada must ramp up the seniority and quantity of diplomats and trade commissioners on the ground.

Cuba will change with or without revised Canadian policies. Unless Canada develops a proactive approach, it risks becoming a bystander in the new Cuba. This said, Canada still does not hold all of the cards. A Trudeau Government initiative with Cuba could still end in disappointment, like the Chretien Government's efforts to expand political relations on the island. It is nonetheless worth seeing what is now possible.

Expand Diplomatic Representation

Canada needs to expand its network of Embassies in Latin America. Immediate priorities include establishing representation in Paraguay and Bolivia.

¹⁶ Eric Miller. *If Canada wants to retain its advantaged position in Cuba, it has to move fast*. National Post. February 9, 2015. <http://news.nationalpost.com/full-comment/eric-miller-if-canada-wants-to-retain-its-advantaged-position-in-cuba-it-has-to-move-fast>.



Paraguay is presently covered out of the Canadian Embassy in Buenos Aires. Over the past 25 years, Paraguay has chosen to pursue a close relationship with North America as a counter to the influence of its much larger neighbours, Brazil and Argentina. Canada should be supportive of this endeavour, especially as it would also benefit from having a close friend in the Mercosur trading block.

Although isolated from the rest of the country, Paraguay's "Triple Frontier" with Brazil and Argentina has long been a "wild west" of illegal activity and is known to have served as a refuge for international terrorist groups.¹⁷ Being aware of what is happening in this region appears worthwhile.

In addition, Canada and Paraguay share important demographic connections. Much of the Chaco, Paraguay's northern scrublands, is populated by Mennonites, many of whom have relatives in Western Canada. In fact, former Public Safety Minister Vic Toews was born in Paraguay.

These factors, combined with interesting natural resource and trade development opportunities, make a clear case for establishing a small Embassy in Asuncion.

Bolivia, which is presently covered out of Lima, Peru, also warrants a small Embassy. Despite his strong rhetoric, President Evo Morales is fundamentally a pragmatist with whom Canada could develop a constructive relationship. Foreign Minister Baird established an important foundation when he visited Bolivia in 2014. In addition, Canada's reputation has for many years benefited from its large development program in the country.

Moreover, Bolivia is a country with enormous natural resources, including very large deposits of lithium and natural gas. While President Morales nationalized the country's natural gas industry in 2006, there may be scope for partnerships or supply contracts in the years ahead as the state gas company enters an investment cycle.

Add to this Bolivia's important diplomatic connections with countries less than friendly to the West and opportunities arising from a lack of significant U.S. competition and it is worth dispatching an Ambassador to La Paz.

Pillar Four – Institutions

Institutions are a key delivery mechanism for Canada's relationship with Latin America. There is much that Canada can do to optimize structures and shape outcomes.

¹⁷ Christine Folch. *Trouble on the Triple Frontier*. *Foreign Affairs*. September 6, 2012. <https://www.foreignaffairs.com/articles/argentina/2012-09-06/trouble-triple-frontier>.



Minister of State (Americas)

In previous governments, the Prime Minister appointed a Minister of State for the Americas. The Trudeau Government has opted against this approach. In many ways, this is a positive development. Having a Minister of State offers the Canadian Government a representative who can go to meetings and be in the picture, but who has no actual authority to do anything. The counterpart governments in the region know this, creating the impression that Canada views their relationship as a second-tier priority relative to other countries. Experience suggests that Canada is better served by having an active Foreign or Trade Minister who comes less often than a junior minister who is in the region all of the time.

Actively Pursue Latin American Investment

Canadian firms invest much more in Latin America than the companies in the region invest in Canada. In growing *multilatinas*, Latin American entrepreneurs would undoubtedly find Canada an attractive market. EDC and Foreign Affairs should undertake a review and calibrate instruments with a view to seeing the stock of Latin American FDI in Canada grow by 15 percent over the next decade.

Ramp up Engagement at the Inter-American Development Bank

The IDB is a crucially important institution in Latin America. When Canada has used its position in the organization to its advantage, it has achieved significant results. It is not presently doing so. Canada needs to do three things to ramp up its effectiveness at the IDB. First, it needs to insist on embedding a senior Canadian in the management structure of the Bank. Previously, Canadians have served as Chief of Staff or Special Advisor to the President. There is no top Canadian leader at present. Second, Canada needs to learn from the Japanese example and fund staff positions for Canadians in certain key divisions of the Bank. The funding envelope, moreover, should include semi-annual trips to Ottawa where those staff members could discuss developments in the region with officials and learn about current Canadian priorities. Third, Canada should make a long-term commitment to resourcing Canadian trust funds at the Bank. This should include significant support for the Bank's trade and integration activities – an area in which Canada has carved out an important niche.

At present, the IDB is in the midst of substantially restructuring its private sector operations. Although Canada's Department of Finance has not been fully supportive of these efforts, the process is nonetheless going forward. The Trudeau Government should seek informal commitments to hire Canadians into senior roles in "NewCo", the working name of the new entity, in recognition of our ongoing collaboration in this process.

Lead at the Organization of American States

Canada should continue to push for financial and organizational reforms at the OAS. This includes seeking senior management positions where possible.



Conclusion

Given its wealth, strength of institutions, and relatively positive history in the region, Canada can be an important and effective player in Latin America. Despite being a country of the Americas, Canada has never treated the hemisphere outside of the United States as central to its foreign policy. Yet when it has made the effort to robustly engage in Latin America, Canada has significantly benefited economically and has had an important and broad-reaching impact politically.

It is time for Canada to again substantively engage in Latin America. Given the vastly different challenges across the region and the varied positions of its competitors, whether intra-regional, Chinese, American, or European, there is no “one size fits all” solution.

In trade relations, Canada must be pragmatic and flexible in its approach. It must deepen relations with its allies and seek to bring new partners into the tent.

On the security side, Canada should focus its efforts in Latin America less on Pearsonian peacekeeping than peace facilitation. The region’s security problems stem mainly from a failure of governance and the growth of transnational criminal networks. Canada has an especially strong interest in stabilizing Central America and easing the strain on the southern tier of North America.

With regards to foreign policy, Canada’s challenge is to make itself relevant. By reinventing its relations with Cuba and engaging directly with important partners like Bolivia and Paraguay, we become a player, rather than an afterthought, in key parts of the Latin America universe.

Finally, on institutions, we need to shape our domestic machinery to maximize our objectives related to the Americas. In hemispheric institutions, we simply have to be willing to step up and assert the role that many in the region want us to play.

The mantra of one wise Canadian diplomat is: “You have to be there!” That is especially true in Latin America, where Canada’s geographic and historic connections do not automatically yield influence. Canada’s effectiveness in the inter-American system and in its relations with Latin America depends on its willingness to creatively engage and lend a constructive hand to addressing the region’s challenges. Prime Minister Trudeau would do well to remember this in the years ahead.

► About the Author

Eric Miller is Vice President of Policy, Innovation, and Competitiveness at the Canadian Council of Chief Executives, which represents the CEOs of 150 of Canada's leading companies. He manages relations with the United States and Mexico and is also responsible for border and supply chain issues, cybersecurity, the digital economy, and innovation policy.

Before joining the Council, Mr. Miller represented Industry Canada in Washington, DC. He was responsible for advising senior officials on U.S. economic relations. He also served as a member of the Canadian negotiating teams on the Beyond the Border Action Plan and Canada's investments in the restructuring of the Chrysler and General Motors.

Mr. Miller has extensive international experience, having advised governments in Asia-Pacific and Latin America on trade and economic policy and worked for the Inter-American Development Bank – a leading international financial institution. Mr. Miller has testified before the Canadian Parliament on the future of North America, the U.S. Congress on global competitiveness metrics, and represented a coalition of developing countries on International Monetary Fund governance.

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