On Hemispheric Governance

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Abstract

Canada’s life is dominated by its embeddedness in the Americas. This makes hemispheric governance a matter of crucial interest for Canadians, for the governance regime that is likely to evolve in the Americas will be an echo chamber through which global forces will reach Canada, and an instrument through which Canada can exercise influence over its circumstances. This paper uses a geo-governance perspective to analyze Canada’s predicament. It shows that Canada has “rediscovered” the Americas recently, but has not played its cards as well as it might have in dealing with the Americas. Integration of Canada within the Americas is bound to proceed slowly and par morceau, and this is not necessarily as bad as it has been suggested by some economists. Piecemeal regional/regime integration may be the best strategy after all, for distributed governance is the best strategy in a learning economy. This does not mean that the state does not have a role to play, but rather that it must play a role as a catalyst. What is a realistic strategy for a medium-power country like Canada in the Americas? A soft and oblique one based on networking with the other medium-power countries of the hemisphere through the Organization of the American States in the longer run and a focus on Central America in the shorter run through the Association of Caribbean States, on good use of networks and regimes, and on the will to develop the new governance and management capacities required to do the job. There is no reason to believe that Canada is taking this challenge seriously, and yet it should.

Résumé

La vie du Canada est dominée par son enkystement dans les Amériques. Voilà pourquoi les Canadiens doivent s’intéresser à la gouvernance des Amériques: cette gouvernance est la boîte de résonance à travers laquelle les grands courants mondiaux vont venir frapper le Canada, mais aussi le levier qui pourrait aider le Canada à exercer une influence plus considérable sur son contexte. On utilise une perspective de géo-gouvernance pour analyser les défis auxquels le Canada fait face. On montre que le Canada a “redécouvert” les Amériques récemment, mais qu’il ne joue pas très bien ses cartes dans ce jeu hémisphérique. L’intégration du Canada dans les Amériques est condamnée à se faire lentement et par morceau, et ceci n’est pas nécessairement aussi deplorable que certains économistes le pensent. Une intégration par région et par régime peut fort bien être désirable, parce qu’une gouvernance distribuée est la meilleure stratégie dans une économie fondée sur l’apprentissage. Cela ne veut pas dire que l’état n’a plus de rôle à jouer, mais plutôt qu’il doit jouer un rôle de catalyseur. Que pourrait être une stratégie réaliste pour le Canada dans les Amériques? Une approche en douce et oblique construite sur le réseautage avec les autres pays de moyenne puissance de l’hémisphère par le truchement du forum que fournit l’Organisation des Etats Américains à plus long terme et un accent mis sur l’Amérique centrale à plus court terme en faisant bon usage de l’Association des Etats de la Caraïbe, sur des régimes partiels et régionalisés de gouvernance, et sur une volonté politique de développer les capacités nouvelles nécessaires tant au plan de la gouvernance que de la gestion. Il n’y a pas de raisons de croire que la Canada prend ces défis au sérieux et pourtant il devrait.

“We kick against the pricks of our necessity.”
Yet, strangely, we are in love with this necessity.
Our natural mode is therefore not compromise
but “irony” – the inescapable response to the presence
and pressures of *opposites in tension*.

Malcolm Ross (1954)

**Introduction**

Canadians have a distorted view of the world system and of their own place in it. This is inherited both from the post World War II experience, when Canada stood tall among nations because of the fact that so many of them had been badly damaged during the 1939-45 war period, and from the activist Pearson era when Canada played a leadership role in world affairs. One may get a visual sense of this aggrandized self-portrait in the maps of the world as presented in Air Canada in-flight magazines. In these maps, Toronto, Montréal and Vancouver are nodes toward which every portion of the world would appear to converge.

A less parochial perspective would reveal that Canada, as a middle-power country, is a relatively minor actor on the world scene, and that it is increasingly losing some of its power to transnational institutions. Canada still represents a small if not insignificant portion of world production and trade. But over the last 40 years, the relative importance of both Canada’s government and banks has declined considerably on the world scene. Canada has had to adjust more and more to external constraints. Consequently, Canada’s capacity to adapt to external exigencies has had to increase. Therefore a keener appreciation of the causal texture of Canada’s environment has become quite crucial if one is to venture a diagnosis about the prospects for Canada in the next century. Indeed, the sort of effective governance likely to evolve in Canada will be dictated to a large extent by this context.

In this paper, there will be no attempt to reconstruct the entire web of connections linking Canada to every other portion of the world scene. Rather, the focus will be on Canada’s hemispheric circumstances. The rationale for this choice is that Canada is embedded in the Americas. The geopolitical context of the country is obviously broader than Pan-America: Canada is a member of many international clubs (OECD, G-7, Commonwealth, Francophonie, etc.); it is linked historically, culturally and politically to European powers; it is connected through immigration and increasing trade flows with Asia; and it is having some impact on Africa through its aid programs. But mostly, Canada’s life is dominated by its embeddedness in the Americas.

This makes the hemispheric governance system a matter of crucial interest for Canadians, for the governance regime that is likely to evolve in the Americas will not only be an important echo chamber through which global forces will reach Canada, but also an instrument through which Canada may be able to participate actively in global governance issues, and to exercise more influence over its circumstances in the next century.
The first section of the paper presents a primer on geo-governance to help define the framework within which we intend to analyze Canada’s predicament. The two sections that follow briefly sketch Canada’s position within the six Americas, and examine the hemispheric dynamics as they are unfolding. The next two sections review some of the challenges and choices generated by hemispheric governance issues, sketch the most likely scenario – a distributed governance scenario through flexible regimes for the Americas –, examine the impact of this prospective scenario on Canadian governance, and the action agenda it calls for. The conclusion underlines the reasons why the process of emerging hemispheric governance is bound to be slow, and requires considerable creative politics.

1. A primer on geo-governance

There are a number of models of geo-governance in good currency, but none of them is entirely satisfactory. By geo-governance (i.e., territorially based governance), we refer to the ways in which the global order guides itself through a terrain inhabited by other territorially-based power houses. Governance refers to the sum of the many ways in which (1) individuals and institutions, public, private and civic, manage their common affairs, (2) the diverse interests accommodate and resolve their differences, and (3) these many actors and organizations are involved in a continuing process of formal and informal competition, cooperation, and learning (Carlsson and Ramphal 1995).

On the one hand, the old Westphalian nation-state model, and the United Nations Charter model based on sovereign nation-states, do not seem to be well adapted to the new world of global interconnectedness. On the other hand, the model of cosmopolitan democracy, based on basic ligatures binding together the new world order, remains somewhat utopian (Held 1995).

Throughout the 20th century, geo-politics has attempted to make sense of this complex evolving political terrain, and to define a reasoned map of the power world. This map has echoed the dominant power/knowledge infrastructures of the day. It was shaped by imperialism in the early part of the 20th century, by the great East-West divide and the Cold War in the post-World War II period, and by the acceleration of technical change, globalization, and the erosion of the powers of the Westphalian nation-state in the more recent past. During these different periods, geo-politics has proposed different faultlines of competition and cooperation, various linkages between the local/regional and the world as a whole, and different discourses to rationalize them.

But, as the compilers of a recent reader in geo-politics boldly state, “geo-politics is not a science”, it is “a field of contestation” (Ó Tuathail et al 1998). It often presents only very partial images of the geo-governance process. This is never more true than in the recent past. Since the fall of the Berlin wall, new forces have dramatically transformed the pattern of geo-governance: new forms and new levels of governance have emerged.

The extensive recent literature on geo-governance defines the faultlines and interfaces in many different ways: Luttwak suggests that economic priorities and modalities are dominant; Luke insists that security and political issues continue to dominate the scene; Huntington proposes that clashes of civilization are the defining interfaces (Luttwak 1990; Luke 1991; Huntington 1993). While each of these arguments has merits, they are also incomplete. At best they suggest that each of these families of forces may at times dominate the scene. But strict geo-economic, geo-security and geo-civilizational
arguments remain unpersuasive in accounting for the existing pattern of geo-governance. A problématique that blends these three sets of forces and encompasses the diverse sites in which the authority has become diffused throughout the economic, political and social spheres is much more promising as a way to explore the geo-governance dynamics at any one place or time within the present world order (Paquet 1997).

Economists have explored this terrain for quite some time. François Perroux and Kenneth Boulding have proposed a simple conceptual scheme to analyze it (Perroux 1960; Boulding 1970). Both identified three generic ensembles of organizations more or less dominated by a different mechanism of integration: quid pro quo exchange (market economy), coercion (polity), and gift or solidarity (community and society). These mechanisms had been explored by Karl Polanyi (1957) as dominant features of the concrete socio-economies of the past. Perroux and Boulding fleshed out the idea and applied it to the modern context.

To map out this terrain, Boulding used a simple triangle, with each of these mechanisms of integration in its purest form at one of the apexes; all the inner territory represented organizations and institutions embodying different mixes of these integrative mechanisms. A slightly modified version of this sort of triangle is presented in Figure 1.

![Figure 1](image)

This approach provides a rough mapping of the organizational terrain into three domains where the rules, arrangements or mechanisms of coordination are based on different principles: the economic/market domain (B) where supply and demand forces and the price mechanisms are the norms; the state domain (C) where coercion and redistribution rule; and the civil society domain (A) where cooperation, reciprocity and solidarity are the integrating principles. This corresponds roughly to the standard partitioning of human organizations into economy, polity, and society.
In the geo-governance process, these three sectors need not have equal weight. Looking at the Canadian scene of a century ago, it is obvious that the state portion was quite limited at the time. The terrain was dominated by the other two sets of organizations. From the late 19th century to the 1970s, government grew in importance to the point where probably half of the measured activities fell into the general ambit of state and state-related activities. The boundaries have been displaced accordingly over time. More recently, there has been a vigorous counter-movement of privatization and deregulation that has caused a reduction of the state sector, and a reverse shift of the boundaries (Paquet 1996).

There has been a tendency, in parallel with these swings that give more valence to one or another of the family of integration mechanisms, for the new socio-economy to trigger the development of an ever larger number of mixed institutions, blending these different mechanisms to some extent (market-based public regulation, public-private-civic partnering, etc.) in order to provide the necessary signposts and orientation maps. In the recent past, this has translated into a much denser “filling in” of the Boulding triangle. A variety of arrangements now exist that provide for compromises between the different principles of integration. Mixed institutions have been designed that are capable of providing the basis for cooperation, harmonization, concertation, and even for co-decision mechanisms that involve elements from the three sectors (Laurent et Paquet 1998).

A modification of the geo-governance process necessitates some re-arrangement of the role of each sector (and therefore entails a shift of the boundaries among A, B and C) and a new division of labour within the three sectors.

But there is not necessarily a hierarchy among those sectors. Indeed, the great weakness of most of the recent analyses of geo-governance (Luttwak, Luke, Huntington) is that each of these schemes feels that it must ascribe to one of the sectors the dominant role in defining the faultlines, and in imposing hegemonic constraints on the other sectors. These positions are misleading ideological stands. In reality, the relationships among sectors are heterarchical: it is a world with no pecking order. Heterarchy introduces ”strange loops” of authority “under conditions of time and place” very much like the game of paper, rock, and scissors where paper covers rock, rock crushes scissors, and scissors cut paper (Ogilvy 1986-87). Any sector may at times have a dominium over the others: indeed, the three sectors co-evolve.

The ecological concept of coevolution provides an apt means of synthesizing the links among these three universes. Coevolution in biology refers to an evolutionary process based on reciprocal responses of closely interacting species. For instance, the beaks of hummingbirds co-evolve with the shape of the flowers they feed on. The concept can be generalized to encompass feedback processes among interacting systems (social, economic, political) going through reciprocal processes of change. The process of coevolution becomes a form of organizational learning: that is, of joint learning and interadjustment of economy, society, and state.

The central characteristics of this jointly evolving process are resilience (the capacity of the economy-polity-society nexus to spring back undamaged from pressure or shock through some slight (regional, sectoral, sectional) re-arrangements that do not modify the nature of the overall system), and learning (the capacity to improve present performance as a result of experience, through a redefinition
of the organization's objectives, and a modification of behaviour and structures as a result of new circumstances) (Paquet 1999a,b).

These governing relations are in creative tension (resilience calls for preservation, while learning means change) and must be balanced. This does not call for a rigid division of labour among the spheres, but rather, for a capacity to switch to a greater or lesser dependence on one family of integrative mechanisms or another as circumstances change.

The governance system has evolved considerably over the past few decades as a result of shocks emanating from both the internal milieu and the external context and of the rounds of adaptation they triggered. The ultimate result of these changes is a composite governance system, built on unreliable control mechanisms in pursuit of ill-defined goals, in a universe that is chronically in a state of flux.

2. Canada and the six Americas

Canada is nested in a broad ensemble that is usually partitioned into three portions (North America, Central America and the Caribbean, and South America). But this is an ensemble of some forty countries which can be partitioned more usefully from our point of view into six families:

1. North America: Canada, United States of America, Mexico;
2. the Caribbean: Jamaica, Trinidad and Tobago, Barbados, Dominican Republic, Haiti, Guyana, Suriname, French Guyana, Antigua and Barbuda, the Bahamas, Belize, Dominica, Grenada, Montserrat, St Christopher-Nieves, Saint Lucia, St Vincent and the Grenadines;
3. Central America: El Salvador, Guatemala, Honduras, Costa Rica, Panama, Nicaragua;
4. Andean community: Venezuela, Colombia, Ecuador, Peru, Bolivia, Chile;
5. Mercosur: Brazil, Argentina, Paraguay, Uruguay; and
6. Cuba
A snapshot of the southern portion of the Americas
These countries have evolved a variety of integrative arrangements over the past 40 years: the Canada-USA Free Trade Area (FTA), the North American Free Trade Area (NAFTA), the Latin American Free Trade Association which became the Latin American Integration Association (LAFTA/LAIA), the Central American Common Market (CACM), the Caribbean Common Market (CARICOM), the Andean Community, the Common Market of the Southern Cone (Mercosur). All of these arrangements have generated some “regional” integration of the Americas, but these arrangements have all been sub-hemispheric, and many small countries have been left out of these diverse schemes.

Thirty four of these countries (including Canada) are members of the Organization of the American States (OAS). The melodramatic history of the OAS has registered the different phases of optimism and pessimism, ebullience and suspicion that marked the evolution of the web of cooperation within the Americas. Another important forum for Canada is the Association of Caribbean States (ACS), a group of 25 countries around the Caribbean Sea (including Cuba), founded in 1994 and designed to “develop the potential of the Caribbean Sea through interaction with Members States and third parties”. Canada has Observer status in the ACS.

In the last decade, Canada and the USA have “rediscovered” the Americas, and there have been sustained American and Canadian strategies to engage with the Americas. The 1990 Bush’s Enterprise for the Americas Initiative has given a great deal of importance to the idea of a free trade area for the Americas. Canada has actively pursued its strategy through summit meetings (Miami 1994, Santiago 1998) and negotiated treaties or agreements of all sorts. But this interest in the rest of the hemisphere has not translated into a significant increase in Canadian trade and investment in the Americas outside of the Northern cone (Daudelin and Dosman 1998).

A. Trade between Canada and Latin America/the Caribbean (LAC)

Over the past decade, Canada’s trade with LAC has remained a bit under 2% of its total trade, but the relative importance of the stock of Canadian direct investment abroad vested in LAC has doubled over the last decade: from 8.3% in 1989 to 17.2% in 1998 (see Table 1). This is a harbinger of foreign trade to come, since foreign trade usually follows foreign investment. But it is important to note that two thirds of this direct investment is in Bermuda and the Caribbean and that the pace at which Canada appears to invest in Latin America is relatively slow when compared to the pace of the European invasion.

Almost half of Canada’s total merchandise trade with LAC is with Mercosur (43%) if one includes Chile -- an associate member of Mercosur -- and over one quarter (28%) is with the countries of the Andean Community, while trade with the Caribbean accounts for just under one fifth (18%) of total merchandise trade. Trade with Central America (CACM countries) only makes up 7% of total trade between Canada and LAC.

In LAC, Canada’s top exports are to Brazil (well over US $1. billion), with Venezuela and Cuba well below this level (approximately 40% of the level of exports to Brazil), and Colombia, Chile and Argentina roughly at 30% of the level of exports to Brazil. Canada imports primarily from Brazil
(again well over US 1. billion), followed by Venezuela (at some 60% of that level), and Chile, Colombia, Argentina and Jamaica (in the 20-25% range of the Brazilian level).

Canada’s export structure is fairly distinct from that of LAC, with manufactured goods comprising almost two-thirds (63%) of the country’s exports (machinery and transportation equipment are the predominant goods manufactured, accounting for 40% of the country’s total exports). Following manufactured goods, fuels, agricultural materials, and food items make up 10%, 8%, and 8% of Canada’s exports, respectively. Overall, Canada is much more active in exporting manufactured goods than LAC, although the Dominican Republic, Jamaica, and Brazil also export a large percentage of manufactured goods (77%, 69%, 54%, respectively). It is noteworthy, however, that, of these three countries, only Brazil exports a substantial amount of machinery and transportation equipment (20% of Brazil’s total exports fall into this category).

In contrast to Canada’s focus on manufactured goods, the LAC countries show a greater reliance on food items, with, for example 90% of Cuba’s exports in this category, and food items accounting for over half of the exports in the CACM and most Mercosur countries (excluding Brazil). Fuels and ores/metals are also significant export items for some countries, particularly Venezuela, which derives over eighty percent (82%) of its export revenues from fuel, and Chile, for whom almost half (46%) of its export income can be attributed to ores and metals.

B Foreign Direct Investment in LAC

Data on FDI to LAC from Canada is limited. Some fragmented data from the late 1980s and early 1990s assembled by Sáez (1997) shows that Canada’s FDI stock in South America was primarily in Brazil ($2.3 trillion US), although Canadian FDI stocks in Argentina, Venezuela, Colombia, Bolivia, and Peru were substantial ($220 billion, $85 billion, $72 billion, $66 billion, and $51 billion, respectively). In the 1990-2 period, the Canadian FDI in Chile was no less than $552 millions (US) according to the data set compiled by Saez. This presaged an extraordinary increase in the Canadian FDI stock in Chile in the 1990s.

The following table (Table 1) provide a more recent snapshot of the stock of Canadian direct investment abroad (in Canadian $) at different dates over the last decade.

It reveals the relatively limited importance of the rest of the hemisphere (except for the USA) for Canada’s capital export. However, it shows that there has been a decided shift over the last decade.
Table 1: The Stock of Canadian Direct Investment Abroad (CDIA) ($Cdn mil)

<table>
<thead>
<tr>
<th>Region</th>
<th>1989 % of Total CDIA</th>
<th>1992 % of Total CDIA</th>
<th>1995 % of Total CDIA</th>
<th>1998 % of Total CDIA</th>
</tr>
</thead>
<tbody>
<tr>
<td>North America</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>United States</td>
<td>56,578 (63.0)</td>
<td>64,502 (57.8)</td>
<td>87,596 (53.3)</td>
<td>126,005 (52.6)</td>
</tr>
<tr>
<td>Mexico</td>
<td>237 (0.3)</td>
<td>451 (0.4)</td>
<td>948 (0.6)</td>
<td>2,246 (0.9)</td>
</tr>
<tr>
<td>Total North America</td>
<td>56,815 (63.2)</td>
<td>64,953 (58.2)</td>
<td>88,544 (53.9)</td>
<td>128,251 (53.5)</td>
</tr>
<tr>
<td>Latin America and the Caribbean</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Caribbean</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bahamas</td>
<td>1,820 (2.0)</td>
<td>2,149 (1.9)</td>
<td>2,313 (1.4)</td>
<td>6,098 (2.5)</td>
</tr>
<tr>
<td>Barbados</td>
<td>1,144 (1.3)</td>
<td>4,115 (3.7)</td>
<td>5,736 (3.5)</td>
<td>14,328 (6.0)</td>
</tr>
<tr>
<td>Bermuda</td>
<td>1,495 (1.7)</td>
<td>2,619 (2.3)</td>
<td>3,006 (1.8)</td>
<td>4,690 (2.0)</td>
</tr>
<tr>
<td>Netherland Antilles</td>
<td>82 (0.1)</td>
<td>36 (0.0)</td>
<td>657 (0.4)</td>
<td>134 (0.1)</td>
</tr>
<tr>
<td>Other Caribbean</td>
<td>722 (0.8)</td>
<td>790 (0.7)</td>
<td>1,511 (0.9)</td>
<td>2,416 (1.0)</td>
</tr>
<tr>
<td>Total Caribbean</td>
<td>5,263 (5.9)</td>
<td>9,709 (8.7)</td>
<td>13,223 (8.1)</td>
<td>27,666 (11.5)</td>
</tr>
<tr>
<td>Central and South America</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Argentina</td>
<td>115 (0.1)</td>
<td>225 (0.2)</td>
<td>1,335 (0.8)</td>
<td>2,239 (0.9)</td>
</tr>
<tr>
<td>Brazil</td>
<td>1,679 (1.9)</td>
<td>1,880 (1.7)</td>
<td>2,458 (1.5)</td>
<td>2,827 (1.2)</td>
</tr>
<tr>
<td>Chile</td>
<td>211 (0.2)</td>
<td>482 (0.4)</td>
<td>2,673 (1.6)</td>
<td>4,221 (1.8)</td>
</tr>
<tr>
<td>Columbia</td>
<td>25 (0.0)</td>
<td>32 (0.0)</td>
<td>272 (0.2)</td>
<td>796 (0.3)</td>
</tr>
<tr>
<td>Panama</td>
<td>19 (0.0)</td>
<td>18 (0.0)</td>
<td>101 (0.1)</td>
<td>160 (0.1)</td>
</tr>
<tr>
<td>Venezuela</td>
<td>56 (0.1)</td>
<td>168 (0.2)</td>
<td>355 (0.2)</td>
<td>401 (0.2)</td>
</tr>
<tr>
<td>Other Central and South America**</td>
<td>121 (0.1)</td>
<td>288 (0.3)</td>
<td>661 (0.4)</td>
<td>2,859 (1.2)</td>
</tr>
<tr>
<td>Total Central and South America</td>
<td>2,226 (2.5)</td>
<td>3,093 (2.8)</td>
<td>7,855 (4.8)</td>
<td>13,503 (5.6)</td>
</tr>
<tr>
<td>Total Latin America &amp; Caribbean</td>
<td>7,489 (8.3)</td>
<td>12,802 (11.5)</td>
<td>21,078 (12.8)</td>
<td>41,169 (17.2)</td>
</tr>
<tr>
<td>Total Europe</td>
<td>18,626 (20.7)</td>
<td>22,874 (20.5)</td>
<td>37,206 (22.7)</td>
<td>49,611 (20.7)</td>
</tr>
<tr>
<td>Total Africa</td>
<td>233 (0.3)</td>
<td>301 (0.3)</td>
<td>632 (0.4)</td>
<td>1,541 (0.6)</td>
</tr>
<tr>
<td>Total Asia and Oceania</td>
<td>6,689 (7.4)</td>
<td>10,760 (9.6)</td>
<td>16,744 (10.2)</td>
<td>19,181 (8.0)</td>
</tr>
<tr>
<td>Total CDIA</td>
<td>89,851 (100.0)</td>
<td>111,691 (100.0)</td>
<td>164,205 (100.0)</td>
<td>239,754 (100.0)</td>
</tr>
</tbody>
</table>

*Antigua and Barbuda, Cayman Islands, Dominica, Grenada, Jamaica, British Virgin Islands, St. Lucia, Trinidad and Tobago, Cuba, Dominican Republic, French West Indies, Haiti, and Guadeloupe.

**Belize, Guyana, Bolivia, Costa Rica, Ecuador, El Salvador, French Guiana, Guatemala, Honduras, Nicaragua, Peru, Suriname, and Uruguay.

Source: Statistics Canada.
While the absolute value of the stock of CDIA has almost trebled from 1989 to 1998, the percentage distribution of Canadian direct foreign investment in other continents has remained rather stable. But there has been a shift within the Americas: the percentage going to North America has declined by some ten percentage points (63.2% to 53.5%) and the percentage going to Latin America and the Caribbean has increased also by ten percentage points (8.3% to 17.2%).

Even though this is the most complete data set we have been able to compile on Canadian FDI stock in LAC countries, it should be clear that it is not as exhaustive as one would like. The Saez (1997) data set, taken from research done by the Economic Commission for Latin America and the Caribbean (CEPAL), would appear to be more exhaustive than the one we were able to compile from Statistics Canada sources. However, there is no reason to believe that the trends shown in Table 1 are not reliable.

But when one is reminded that in 1997 Brazil attracted one third of the foreign capital inflows to LAC from the rest of the world, and that it amounted to some US$20 billion, but also that Argentina, Columbia, Chile and Venezuela received over US$5 billion in FDI in that year alone, one is forced to realize that the Canadian investment in LAC has not grown anything as rapidly as the foreign investment flows from other portions of the world into LAC (World Bank 1999).

3. **Hemispheric dynamics: intégration par morceau et lentement**

The central economic pillar of the Americas is obviously the United States, which serves as a magnet for all the countries of the hemisphere. The main interest of all countries in the hemisphere in some liberalization of the trade and capital movements in the Americas is in getting access to the rich US market. Yet very much as in the Canadian mouse and the US elephant story, each country in the hemisphere has a “fatal attraction” toward greater integration with the USA, but also some concerns about what it might mean in terms of loss of sovereignty.

This is all the more important because, first, the US trade policy is a mix of multilateralism, preferential bilateralism, preferential regionalism, and unilateral action when it suits its purposes (Weintraub 1993); and secondly, even though the LAC countries shifted from defensive to positive nationalism during the 1980s, a certain degree of protectionism and insistence on managed trade remains, largely as a result of the old experience of subregional integration which was rooted in protection against imports from non-member countries.

Simple tariff reductions are the least of what is involved in hemispheric integration. As Sidney Weintraub suggests, hemispheric free trade will amount to nothing less than “a redefinition of sovereignty” (Weintraub 1993:19). It will redefine the “philosophical framework” within which the countries of the Americas have been accustomed to operate. Free trade negotiations in the Americas are bound to lead to a redefinition of how nationals deal with each other both in their country and across borders, and this is bound to transform the institutional order.
Canadians have gone through this rather painful process of redefinition vis-à-vis the United States, and it is often said that, after more than one decade of experience within the free trade area, this process of redefinition remains incomplete.

A. The necessary sequence of integration

The scope of instantaneous integration is rather limited anywhere in the world, except where security concerns predominate, such as in Korea or the Balkans. Elsewhere, economic integration is bound to evolve slowly, as it has done in the last 50 years wherever it materialized. The North American experience took twenty years from the Auto Pact to the Free Trade Agreement of 1988; there has been a fifty year span between the European Payments Union in 1950 (through the Treaty of Rome in 1957 and the Maastricht Treaty in 1993) and the European and Monetary Union by the year 2000. In the same manner, one would expect that hemispheric integration will proceed rather slowly.

This foot-dragging is due not only to the reluctance or unreadiness to proceed by countries in all parts of the hemispheric economic space, but also to the unwillingness of the have-portion of the hemisphere to share with the have-not portion to the extent that has been the case in Europe. In Europe, the important social disparities among regions have been addressed through social transfers in the manner it is done within the Canadian federation. These transfers constituted a way to catalyze the process through which the economic infrastructure of the poorer countries could be refurbished, and eased the way to integration. But this sort of arrangement is unlikely to evolve in the Americas where the tradition of equal and sovereign trading partners, responsible for the management of their own socio-political affairs, is so deeply rooted.

But it should not be presumed that the reluctance to proceed is due to an across-the-board lack of readiness everywhere in the hemisphere. Huffbauer and Schott (1994) have examined the readiness indicators of the major countries of the hemisphere (price stability, budget discipline, external debt, currency stability, market-oriented policies, reliance of trade taxes, and functioning democracy). Overall, the NAFTA region received very high scores (around 4.4 on 5 on average) except for budget discipline, and we know that this has been remedied since 1994. Mexico obviously scored much lower (3.9) than Canada and the USA. Chile also scored very high (4.4) – closer to the NAFTA countries than to other Latin American countries.

The Mercosur countries received a score of 3.1 on average, with the smaller countries (Paraguay and Uruguay) scoring a full point or more at 3.7 than the larger countries (Argentina and Brazil). In this portion of the hemisphere, problems with price stability, external debt, and reliance on trade taxes remain important. The Andean Community has experienced important market-oriented reforms over the past decade, and therefore would appear to fare not too badly except for price stability and external debt, but the serious problems of drug trafficking and guerrilla violence are generating significant instability. Central America is somewhat splintered: El Salvador and Costa Rica can be rated in the mid 3 category, Honduras and Guatemala a full point below, and Nicaragua yet another full point below. As for the Caribbean, at least the larger countries within the Caribbean, they appear to be relatively well-positioned, but the smaller countries are obviously actively slowing down the pace of an integration they fear.
This brief survey reveals a great variety among these different portions of the Americas in terms of readiness for the integration of the hemisphere. In the absence of what can be regarded as a most unlikely equalization payment scheme, it would seem that the the big bang model is most unlikely to be workable. This is the basic reason why an intégration par morceau and very slowly is the most plausible scenario. One of the advantages of this approach is that regional initiatives are more likely to progress faster than broader schemes, and that this approach, complemented by sector-by-sector regime negotiations, may indeed provide an easier way to ensure progress without the risks of blockage generated by the all-or-nothing approach.

B. Piecemeal integration, multistability and dispersion of authority

Some have claimed that the multiplication of such regional/sectoral groupings has resulted in a loss of allocative efficiency as a consequence of the impediments to trade and investment flows that have been erected for countries outside the different groups. However, a compensating factor is that there has been an increase in the multistability of the overall system as a result of the partitioning of the world system in a multiplicity of these semi-disconnected zones.

A multistable system is one in which a greater ability to adapt is ensured through a certain disconnect among sub-systems. An adjustment called for by a shift in some essential variables is delegated, so to speak, to a partial system enabling the overall process to adjust more smoothly to important shocks in the environment in a manner that would have been either impossible or very time-consuming had the overall process been forced to adjust in toto (Ashby 1960; Paquet 1978). More multistability considerably reduces the probability of the whole system crashing as the result of a systemic crisis. A comparison of the impact of the 1930s crash, and its propagation throughout the world, with the impact of the Japanese crash of the early 1990s, shows that the latter was much more contained and was resolved faster because of the higher degree of multistability in the world economy today (Emmott 1999:17).

The regional zone/regime strategy amounts to a limitation of the market place’s dominium over the world economy through governance mechanisms imposing restraints on flows of commerce and capital across borders, and the ensuring of some collaborative action on the part of clutches of countries vis-à-vis the rest of the world.

Canada has joined one such regional grouping in North American over the last decade, and this has generated an increase in the concentration of Canada’s trade with the USA. This increased Canada-USA trade has undoubtedly had a dampening effect on the pains of labour market restructuring that were triggered by shocks elsewhere in the world system. But it has not increased (and might even have decreased) Canada’s geo-political power over its own future, since Canada and Mexico have remained very much “satellite economies” vis-à-vis the United States in a hub-and-spoke type arrangement.

One way for Canada to gain more influence over its own future is to ensure the construction of a broader regional economic zone containing all of the Americas. In such a club, Canada might be able to develop alliances with other significant middle-range economies of the Americas to ensure that the “regional zone” does not serve only the interest of the dominant economies (the United States in the
North, and Brazil in the South), but also serves those of other significant partners. According to Dauddelín and Dosman (1998), this is the only way (if indirect) in which Canada can increase its geopolitical importance on the world stage.

This “hemispheric governance strategy” was articulated in Canada in 1989. Canada joined the Organization of American States and has participated in many summits where this strategy has been slowly unfolding. By 2005, it is expected that the group of 34 countries of the Americas will become members of a free trade area. However, Canada may not have been promoting this strategy in the right way.

A sensitive and effective promotion of hemispheric governance does not simply mean an extension of the North American free trade agreement to the rest of the Americas. This approach is unlikely to succeed as the larger economies in the South, notably Brazil, are less willing than Canada and Mexico to become a spoke to the USA’s hub. Rather, what is likely to generate a consensus is a proliferation of ad hoc functional arrangements, negotiated in a variety of arenas, as a “disaggregating response of sovereign states to the complexity of a highly interconnected world” (Falk 1999).

These arrangements would entail a devolution and dispersion of authority, and the participation of private, public and civic sector representatives in rule-making. While it may not square well with the promotion of a single agreement, as per the United States wishes for the 2005 process, the progress via this piecemeal approach might serve to test whether middle-power countries like Canada (in alliance with other middle-power countries) might be able to gain some influence within the Americas. Influencing the process itself would be a meaningful test case.

C. The next steps: negotiation by sub-regions

One of the important implications of our relative inertia on the hemispheric governance front is that in the meantime the situation evolves: already in 1996, the European Union (EU), building on some traditional economic, trade and cultural links with many South American countries, has signed a trade agreement with Mercosur. And since many South American countries trade more with the EU than with the US, it has been suggested that a free trade agreement with the EU might be more beneficial to Latin America than with the US (Bhalla and Bhalla 1997:156).

If a global approach is premature, and most certainly feared by many Latin American countries (for which US domination in such a scheme is ominous), the only other viable strategy would appear to be the one adopted by the EU: negotiation by subregion. This sort of meso-economic approach, when combined with the development of sectoral regimes at the hemispheric level, might indeed provide a transition to a loosely coupled hemispheric “federation” of more or less free trade areas. While this detour on the road to hemispheric integration may appear to be wasteful (in a static efficiency sense), it is probably necessary, given the political decision of Argentina and Brazil to push Mercosur.

But this detour cannot be improvised. For if any sub-component of any group were to negotiate special arrangements with any other sub-group of countries, much systemic damage could be done. Already Mexico’s bilateral agreements with certain countries and groups in Latin America has damaged the substantial trade (existing and potential) between Canada and these countries (Wonnacott 1996).
So Canada has to develop a strategy to ensure that it is not walled out by a multiplication of regional agreements within the Americas. For Canada, the architecture of the trading system is therefore not inconsequential. Even though a generalized FTA throughout the Americas would obviously be simpler, since it is not plausible at this time, it is crucial for Canada to think through the different stages through which the hemispheric integration will proceed, and to design a proactive strategy to increase the probability of some of the less undesirable scenarios. For once trading and investment patterns have crystallized, it may turn out to be very difficult to negotiate substantial transformations to the trading system.

And yet, as Daudelin and Dosman (1998) suggest, there is no functional necessity to Canada’s option for the Americas. Indeed, its very complexity may be an additional reason not to bother. So only a robust policy initiative would appear to be able to generate some effort in this direction. But this policy initiative has to be more sophisticated than the simple suggestion of quick trade liberalization and elimination of capital controls, or the negotiation of an all-country agreement, where the USA would be eminently first among equals. Such simplistic approaches are bound to fail, for Latin American countries have more to fear from United States unilateralism than does Canada. A soft, slow, multifaceted, and sophisticated regime-type approach is called for (Paquet 2000).

4. Distributed governance through flexible regimes

Canada, like most other advanced economies, has been subjected to a variety of pressures over the last twenty years as a result of dramatic changes in its environment. These pressures have been mainly ascribable to globalization and accelerated technical change. As a result of these changes, the environment has become more complex and more turbulent, and concerns from the private, public and civic sectors have been forced to acquire a greater capacity to transform, and to develop a philosophy of continuous improvement and innovation in order to survive. In the face of the “new competition”, these concerns have had to become “learning organizations” (Best 1990; Paquet 1999a,d).

A. The learning economy

Learning organizations must be capable of redefining new goals and new means as they proceed through tapping into knowledge and information that other agents and groups possess, i.e., through cooperation with other stakeholders, and through social learning. This has triggered a drift in the governance process: the governance pattern evolved from more exclusive, hierarchical and paternalistic forms in the 1970s, toward more inclusive, horizontal, distributed and participative forms in the 1990s, and from a pattern where the national leader was in charge to what would appear to be a game without a master.

To be effective, the new distributed governance through social learning requires not only a new regime in its interactions with the rest of the world, but also new structures (more modular and network-like), new strategies (based on dynamic efficiency and learning), and new forms of coordination (more decentralized and more dependent on moral contracts and trust) (Paquet 1999f).
These moral contracts, and the alliances they embody, would work in a variety of ways on the hemispheric front: through some constraints on the flows of commerce and investment to somewhat insulate a region or a group from catastrophes elsewhere, through the development of zone or regime institutions to facilitate the adjustment of the group to external shocks, through policy coordination enabling the group to define more effective ways either to prevent the shock or at least to attenuate the impact, through compensatory mechanisms put in place to ensure that those most seriously hit by these shocks are somewhat compensated through some sort of redistribution scheme, and through collaborative mechanisms capable of providing adequate forums for consultation and co-decision (Preston and Windsor 1992). The important cooperative work done by the Cairns group of medium-sized agricultural exporters provides a valuable lesson. Canada, Australia, New Zealand, and some Latin American and South East Asian exporting countries were able to form a reasonably cohesive group that was able to have a strong voice at the multinational trade negotiations table (Christie 1993).

Although some have come to believe that the only alternative to the hub-and-spoke model is a “mishmash of overlapping agreements” (R.G.Lipsey in Lipsey and Meller 1997:254) that can only lead to chaos. This is not the case.

The required speed, flexibility and innovative adaptation necessary in the new globalized socio-economy can only be generated by non-centralization and sectional networking. Hierarchical structures have proved inadequate. The reason why the guidance system has to be decentralized, collaborative, and adaptive is that this is the best sort of arrangement if one needs to continually adjust to new circumstances in order to generate knowledge value-addition.

This is also the recipe for productivity gains in a world of alliances and partnerships across borders, and among different layers of networks. Hierarchies have limited learning abilities, and markets have limited capacities to process information effectively. Network alliances are a way to counter these failures: they reduce uncertainty and adaptation costs arising from the environments’s complexity through an increase of the partners’ collective organizational capabilities (Paquet 1999a,c).

B. The catalytic state

These collaborative arrangements through networks foster faster and more effective learning, but the development of such arrangements calls on the state to recognize that it cannot achieve its goals by simply relying on its resources and coercive power. The state must assume a dominant role in coalition-building, both internationally and domestically. This is what Michael Lind (1992) has called “the catalytic state”.

The proliferation of regional/fonctional regime agreements and the evolving character of close government-business-society relations in Japan, Germany, etc. are manifestations of the new importance of the catalytic state (Weiss 1998:210). Not all states have the same catalytic capabilities, however. Some like the US have the clout necessary to exploit international leverages; others like Germany and Japan have both domestic and international clout in coalition building; still others, like Canada, would appear to lack both capacities.
It may well be that the sort of consensus required among private, public, and civic partners for such networks to be effective is not possible for large fractured countries like Canada; that the only way to generate catalytic action is at the level of region-states, through the empowerment of sub-national units (Courchene and Telmer 1998). This is a pattern that has developed in the European Union, where sub-national segments of country A may enter into agreements or treaties with sub-national segments of country B, without asking permission from higher order governments. Perhaps in Canada such decentralization-cum-distributed-governance is the only way to ensure that the socio-economy in toto can evolve faster toward a less ineffective governance.

Despite the fact that an extensive literature has shown that, both internationally and nationally, the new distributed governance system is most effective in coping with globalization and productivity slowdown (Naisbitt 1994; v.N Whitman 1999; Leadbeater 1999), the degree of cognitive dissonance remains high in Canada. The cumulative effect of a certain degree of glibness, blindness, and denial, and a pervasive centralized mindset that prevents the engineering of the requisite degree of decentralization, has meant accepting many broad world trends somewhat fatalistically, but has also fed an attitude suggesting that we need not worry about the required governance overhaul (Paquet 1999c,d,f).

Consequently Canada is not taking action domestically to capitalize on its own potentially greater valence in the free trade scheme of the Americas. The Canadian knowledge and competence base about Latin America is limited, and the “winning conditions” for greater penetration of LAC markets have not been analyzed extensively enough. Indeed, hemispherically distributed governance is neither promoted nor even discussed openly, so Canada is currently unlikely to be in a position to take full advantage of this new distributed governance scheme when it materializes.

Yet the integration of the Americas par morceau (around Brazil in Latin America as it has proceeded around the USA in North America) is promising in the long run. As the United States’ valence in the world economy diminishes with the strengthening of other regional groupings such as the European Union, and as Latin American countries become much more sizable economic powers than Canada in the next decades, Brazil, Argentina, and other LAC countries are likely to remain throughout this slow process of integration the natural allies of Canada against the forces of the United States, which tend to foster protectionism and unilateralism (Lipsey and Meller 1997).

C. A new philosophy of public intervention

At the core of the new regime, what is needed first and foremost is a philosophy of public intervention. It is emerging as a two-stage process: first, a growing recognition that there is a need for a new rationale for the collective institutions; second, the development of the design principles that are likely to underpin the social architecture of this new strategic and distributed governance regime based on social learning (Paquet 1999a: Part III).

(1) This calls not for the least constraining public philosophy, but for one that would be the choice of citizens if they had “the fullest attainable understanding of the experience resulting from that choice and its most relevant alternatives” à la Dahl (Dahl 1989). The challenge is to bring about that sort of “fullest understanding” in the population. It means that government can no longer operate in a top-
down mode, but has a duty to institute a continuing dialogue with the citizenry. This requires a language of common citizenship, deeply rooted in civil society: the citizens have commitment and values that the state must take into account, and they want an active role in the making of policies supposedly generated to respond to their presumed needs. Only through a rich forum and institutions that enhance citizens’ communication competence is an enlightened understanding likely to prevail - both as a result of, and as the basis for, a reasonable armistice between the state and the citizenry.

The state, in the past, has played housekeeping roles and offsetting functions. These functions required minimal input from the citizenry. The state in complex advanced capitalist socio-economies must now play new central roles that go much beyond these mechanical interventions. It must become involved as a broker, as an animateur and as a partner in participatory planning, if the requisite amount of organizational learning, co-evolution and cooperation with economy and society is to materialize. This paves the way for a participation-society (where freedom and efficacy come from the fact that the individual has a recognized voice in the forum on matters of substance and procedures in the public realm, and more importantly an obligation to participate in the definition of such matters). The citizen refuses to be confined to living in a rights-society where the dignity of individuals resides exclusively in the fact that they have claims. The citizen becomes a co-producer of governance.

(2) The design principles for a social architecture in keeping with the guiding values mentioned above are clear. First is the principle of subsidiarity, according to which “power should devolve to the lowest, most local level at which decisions can reasonably be made, with the function of the larger unit being to support and assist the local body in carrying out its tasks” (Bellah et al 1991:135-136). The rationale for this principle is that the institutions closer to the citizen are those likely to be the closest approximation to organic institutions, i.e., to institutions that are likely to emerge “undesigned”, to emerge from the sheer pressure of well-articulated needs, and likely to require minimal yearly redesigning. Subsidiarity reduces the vertical hierarchical power and increases in a meaningful way the potential for participation.

The second design principle is that of an effective citizen-based evaluation feedback to ensure that the services produced, financed, or regulated by the public realm meet with the required standards of efficiency, economy, and effectiveness, and are consonant with the spirit of the agreed standards or norms. This is a central cybernetic loop feature in the refurbished governance. It is essential if organizational learning is to proceed as quickly as possible.

This entails a transformation of the audit and evaluation functions in the decision-making process. Instead of being limited to untimely ex post efforts at identifying abuses, these functions must become part of the ex ante strategic decision-making in a citizen-centered governance regime. Perfunctory consultation will not do: it requires the creation of “chaordic organizations”.

1. D.W. Hock (1995) uses the word “chaord” (from chaos and order) to refer to “a self-organizing, adaptive, non-linear, complex system, whether physical, biological or social, the behavior of which exhibits characteristics of both order and chaos or, loosely translated to business terminology, cooperation and competition” (p.6); as founder of VISA, he has created a company that is “an inside-out holding company” in which the 23,000 financial institutions that create its products are “at one and the same time, its owners, its members, its customers, is subjects and its superiors” (p.14); this sort of organization not only embodies subsidiarity as a
5. **A realistic Canadian strategy**

There are many scenarios envisaged about the nature of the new institutional order and about the ways in which the transition toward it will materialize. The United States favors either a hemisphere-wide agreement or a US-centered hub-and-spoke series of bilateral or multilateral free trade agreements. Neither of these scenarios appears plausible or realistic at this time. This is due to the deep fear of US dominance and the concern about loss of sovereignty. A more likely scenario is the integration *par morceau et lentement* of a set of subregional free trade agreements into a loose federal-type systemmore or less governed by reconstituted existing OAS agencies, in coordination with the Inter-American Development Bank and other inter-American bodies or sub-hemispheric regional associations. This scenario may appear unwieldy, but is more likely to materialize than the other two (Atkins 1993).

It is not sufficient, however, to suggest that distributed governance and flexible regimes are the way out of the present predicament. These general concepts provide no true guidance: they are like 16th century maps, elegant but not helpful to navigation.

What is required is a translation of this general scenario into a strategy indicating the way in which Canada might best operate to make the highest and best use of the opportunities offered by the emerging hemispheric integration. Such an action plan must be based on reasonable assumptions about the environment and on a good appreciation of the dynamics within the world economy and within the hemisphere. It must also take realistically into account the strategies of the other partners.

**A. Some perspectives**

(1) It must be stated clearly from the start that there is no consensus on the priority to be given to hemispheric integration. Some Canadians (like many Americans) consider that not only are there slim pickings to be expected from the extension of the free trade area from North to Central and South America – given the very limited trade links between these three portions of the Americas – but that it might even be counterproductive since it might well undermine the construction of a global trade regime by making other mega-regions react defensively to this initiative (Bhagwati 1997; Gordon 1998). On the other hand, a number of observers are more optimistic. They do not minimize the difficulties for Canada in taking advantage of these new markets, but suggest that it would be a matter of appropriately supported entrepreneurship (Berry, Waverman, Weston 1992; Purvis 1999). Those more optimistic observers insist on the fact that in a multilateral initiative of this sort small countries gain most, and that Canada has therefore much to gain.

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founding principle (“no function should be performed by any part of the whole that could reasonably be done by any more peripheral part, and no power vested in any part that might reasonable be exercised by a lesser part” (p.13)) but also the principle that the chaordic organization is owned by its members, that it must embrace diversity and change, but that no individual or institution, and no combination of either or both should be able to dominate the deliberations; in order to ensure that this is the case, VISA has had to ensure continuous learning through continued feedback loops.
If there is no consensus on hemispheric integration per se, neither is there any, even among those favoring integration, about the form of and the route to this integration, or about the “deep” or “shallow” integration outcome of these processes (Ostry 1997).

The United States favors a global agreement arrived at through a fast track. This strategy has been derailed by the refusal of Congress to grant President Clinton the authority for fast track negotiation, but the global integrative accord remains the preferred way for the US.

Others see the hemispheric integration following the path of the European integration: this would mean a process in three stages or generations – first, trade liberalization plus cooperation; second, limited preferential trade, plus deeper cooperation and harmonization; third, community-level trade liberalization, plus normative supranationalism. This plan for a progressive construction of trade arrangements, mechanisms for coordinated decision-making, commitment for cooperation, and adherence to some fundamental principles has been sketched by Frank Garcia in what he calls “Americas Agreements” – a blueprint for an interim stage in building an integrated hemisphere (Garcia 1997). This process might take ten to fifteen years to become operational.

Others still see the process of integration proceeding on the basis of the regional blocs already in place: building on inter-bloc regimes, on a piecemeal basis, as the most promising path. This sequential program is based on a realistic assessment of the different degrees of readiness of the different portions of LAC. This has already been proposed as a second-best strategy, when it became clear that the single global hemispheric order sought through the fast track might not materialize.

Finally, others suggest that even this integration *par gros morceaux* is unduly optimistic: they put forward the possibility that the only viable strategy is a strategy of *petits pas* via the proliferation of bilateral arrangements within the Americas, probably through the travails of the Latin American Integration Association (ALADI) with some key countries like Mexico and Brazil playing a crucial role as southern hubs (Axline 1997).

In the absence of fast track negotiating authority by the United States, and given the “managed trade” approach favored by Brazil, it is unlikely that the US global neo-liberal scheme will prevail or even that the ordered process of “Americas Agreements” will materialize. It is much more likely that the latter two scenarios will ordain the integration of the Americas, and that what can reasonably be expected over the next decade is much more a form of “shallow” integration of the Americas than a “deep” one.

In order for Canada to develop the will for an action plan in the face of such fuzzy and unpromising circumstances especially when the political actors have such a fixation on short-term results, the Canadian citizenry needs to recognize in a stark way that the Canadian socio-economy is falling behind its competitors in a significant manner. The stagnation of the productivity growth is troublesome, and so is the failure of Canada’s service sector to generate adequate exports. This is an indirect indictment of our health and education sectors that are such important components of our service sector and are badly in need of repairs (Paquet 1998).
The rapid progress of the digital economy is also making most of the traditional protective techniques rather ineffective, and calling for ever more flexibility, openness and decentralization. This should act as an additional force driving the Canadian government to spearhead initiatives to educate the citizenry and in so doing help quash what Bob Rae has cleverly labeled “the comfortable immaturity of permanent opposition” (Time, June 28, 1999). For hemispheric integration is not so much about tariffs as about a transformation of structures and attitudes.

Whether Canadians are driven to press their governments to action as a result of fear for their standard of living, or whether governments will be pressed by the Canadian “entrepreneurs, executives and government trade mavens” (Purvis 1999) into taking advantage of this new frontier is not relevant. Both forces already are at work.

(3) What is less clear is how the Canadian catalytic state should develop its strategy.

This process of necessity involves the Organization of the American States (OAS) and other associations of the sort to serve as deliberative forums through which governments, business communities, and civil societies might be able to shape different regional consensus. Such consensus are unlikely to be constructed except on a piecemeal basis through some regime-building in different areas until the time is ripe for more universal rules. But this will require creative leadership on the part of the Canadian government in order to ensure that both the Canadian business and non-governmental communities are mobilized, and the requisite resources for capacity-building in Canada are found.

With the requisite mobilization and capacity building, one can expect the Canadian government to be able to take on a leadership role in the development of an organized system of cooperation with Brazil, Argentina, Venezuela, Peru, Chile, etc. But it will require that trust be recognized as a central capability, and that such capability can lend itself to design only up to a point (Paquet 1999). Building cooperative relations will require much imagination, especially when it involves countries like Brazil and Argentina that might be seen as competing with Canada in a number of key areas, but this also provides opportunities for joint ventures, alliances, strategies. This is a major reason for pursuing such objective in the longer run, while focusing maybe in the shorter run on the Caribbean Sea as a region of choice where Canada has already deep roots that are likely to help immensely in the construction of alliances built on trust.

B. A long range strategy

It is important to explain to the Canadian citizenry that for a middle-power country like Canada being part of the hemispheric zone is an insurance against the uncertainties of the new global order, but also a way to gain some leverage in dealing with the USA through the possibility of selective alliances with other middle-power countries like Mexico and Brazil. This is a matter that needs to be explored more fully, but it should be clear that in this game, Canada starts as a dominant player in the hemisphere -- not as powerful as the United States obviously, but regarded often as “Big Guy No. 2” (Purvis 1999).
Second, one cannot explore these possibilities without a much better understanding and a much more realistic assessment of Canada’s circumstances within the world economy. An occasion for such a re-evaluation might be serious parliamentary hearings on the Free Trade Area of the Americas or other meaningful hemispheric strategy. These might provide opportunities to gauge the nature of the risks and uncertainties Canada is likely to face, and the nature of the sort of insurance and new capacities it may need. For one of the extraordinary impediments to the development of hemispheric integration is the abysmal ignorance about Latin America in Canada. One might have expected that the migration flows from Latin America to Canada in the last decades would have helped bridge the chasm. It may have been the case in Quebec to a certain extent, but most certainly this has not been the case for Canada in general.

Third, there is an urgent need to recognize the limits imposed by the faultlines underlined by Luke, Luttwack and Huntington in designing new coordinating forums and institutions. Cultural, security and economic divides must be taken into account. There is much naïveté in the neo-liberal shotgun approach adopted by Canada when it showers a multitude of trade missions over the different continents without paying much attention to these factors. The determination to seek multilateral liberalization and to pursue single-mindedly the elimination of trade and investment barriers without sufficient attention to the non-economic costs of such initiatives (the MAI initiative is a good example) often reveals a less than adequate appreciation of the cultural and civilizational faultlines. On the other hand, it is also the same lack of appreciation of cultural factors that leads Canada to imitate the US trade activism and its methods when very different foci and very different methods might be much more potent.

Fourth, Canada’s relative importance is declining in the world economy, even though Canadians find it difficult to accept. This translates into the unlikelihood that Canada’s preferences will carry much weight in a confrontational mode, and is forcing Canada into a mode of oblique action and soft diplomacy. Such an approach is illustrated by Canada’s insistence on the involvement of civil society in the Americas. But this in turn requires that the Canadian population be much better informed about the nature of these international initiatives, and that Canadian business and Canadian civil society be made aware of the role they must play in order for the outcome of the hemispheric governance model to be most profitable for Canada (economically, politically and socially). A number of negotiating groups are already at work, and a committee on the participation of civil society (a Canadian initiative) is in operation.

Nothing can better illustrates the power of soft diplomacy than the First Spouses Summit in the Fall of 1999. Canada chose to be a continental “master of ceremonies” and in so doing has had much to do with the definition of an agenda that even the USA had to adjust to (Time Magazine 1999). Canada will shape many such meetings in the next while, with perhaps the crowning gala being the Summit of the Americas in Quebec City in 2001.

C. Building governance capabilities

Such a re-evaluation of the potentialities of hemispheric integration entails more than an academic exercise. It requires the mobilization of the interest and imagination of Canadian groups required to bring it about but also some blueprint for the governance and management capacity building that needs
to be put in place if the hemispheric integration movement is to succeed from a Canadian point of view.

In our new high-risk and turbulent environment (Type 4 in the language of Emery and Trist 1965) strategic management is no longer sufficient: what is required is the development of capacities for collaborative action in managing large scale re-organizations and structural changes at the macro level (Metcalfe 1998). In environments of type 1, 2 or 3 (corresponding crudely to the world of perfect competition, imperfect competition, and oligopolies respectively), operational, tactical and strategic management suffice. In turbulent type-4 environments, the ground is in motion, acting independently not only may not ensure effectiveness, it may make things worse and amplify disintegrative tendencies. What is required is collective action by “dissimilar organizations whose fates are, basically, positively correlated”. This requires in particular trust-enhancing mechanisms.

Metcalfe has synthesized this sort of predicament in a catastrophe theory type graph (below) depicting the major aspects of the issue in three dimensions: the degree of complexity of the environment, the degree of management/governance capacities, and the degree of governance effectiveness. He shows that as complexity increases, management capacities must improve to avoid disintegration. If these capacities already exist, they must be brought into use (a-b); if they do not exist, they must be developed (e-b). If they do not exist and no development effort is made (e-f), or if the capacity building is inadequate (e-c-d), disintegration ensues. Type 4-environment requires innovations which strengthen the capacity for collaborative relationships (Metcalfe 1998: 29-30).
Complexity, management capacity and effectiveness in a catastrophe theory stylization

Source: L. Metcalfe 1998 (p.28)
This framework shows how the dual task of group mobilization and building management and governance capabilities are integrally related since the driving force behind the new governance effectiveness is collaboration. It puts the emphasis on the need for creative politics, for innovative institutions. In particular, it underlines the challenges generated by the “new complexity” of the cognitive division of labour which calls for new forms of collaboration, not only at the level of trade and exchange, but at the very core of the production process (Moati et Mouhoud 1994) and the need for new modes of coordination.

There are four broad types of capabilities to be created, distributed and maintained that are particularly relevant to governance: rights and authorities, i.e., capabilities enshrined in formal rules; resources, i.e., the array of assets made available to individuals and institutions like money, time, information, facilities; competencies and knowledge, i.e., education, training, experience and expertise; organizing capacity, i.e., the capacity to mobilize attention and to make effective use of the first three types of capabilities (March and Olsen 1995).

It might appear somewhat impetuous to say that there is at present a deficit on many of these fronts, but this is what a rapid survey would appear to reveal. The catalytic state cannot be expected to resolve these deficits in isolation, but it is expected to generate an awareness of these gaps and to lead the process through which they will be filled.

For the time being, the most glaring gap is on the competencies and knowledge front: the mutual ignorance on both sides of the Canada-LAC chasm is a major stumbling block for whomever may try to construct new governance capabilities. Yet, the resources allotted to the process of hemispheric governance (in the broadest sense) are not inconsequential. However, since we do not have a fair appreciation of what they are, they are probably extremely badly coordinated.

Indeed, little is known about the network of initiatives sponsored by individuals and private or civic organizations that are linking Canada and southern part of the hemisphere. Without a complete inventory of these initiatives, and the immense capital of trust that they have accumulated, it is difficult to identify the best opportunities facing Canada and the most important blockages that might be resolved by negotiating new rules or agreements.

Another important gap is the lack of “organizational capital”. This is likely to be even more determinant when creative politics is de rigueur and much must be done in an informal way. Again the central importance of the trust building possibilities as a component of organizing capacity needs much attention in the choice of focal points for action (Keen 1999).

D. A three-pronged action plan

From our analysis to this point, it should be clear that no simple fix will do. The Canadian strategy must be multifaceted and build on a variety of potential pressure points on which it might have an impact. It should proceed simultaneously at three levels.

(1) At the macro level
What is required is an effort to define a broad range of interventions designed to promote closer collaboration between Canada and Latin America and the Caribbeans. In a sense, it represents a continuation (but at a renewed and more forceful level) of the effort to promote greater connectivity between the two areas. While this approach is of necessity broad ranging, it may appear to be unfocused. However, there is much that can be done at this level to heighten Canada’s capabilities.

For, one should not presume that there has been no effort to “organize” some concerted set of activities. Since 1994, a provisional framework exists on the shelves of the Department of Foreign Affairs and International Trade (DFAIT). It is summarized in Policy Staff Paper 96/04 and proposes an action plan under three main headings: creating sustainable prosperity, promoting good governance, and building bridges (Sheck et al 1994). They all require private/public/civic cooperation, but, as might be expected, the focus of DFAIT is mostly on government’s initiatives.

Under the first heading, creating prosperity, one finds an array of activities:

* trade targeting by sector and country rather than an all-encompassing strategy
* special support to constituency building, strategic alliances, joint ventures
* bundling of credits and business development programs in the region
* foreign investment protection agreements with targeted countries
* increase significantly the share of development assistance going to targeted countries in line with progress in political and economic good governance
* create a regular and sustained environmental policy dialogue with key regional players

Under the second heading, good governance, one finds among other the following activities:

* advice on the process of good governance in areas like privatization, regulatory reform, tax collection
* training of Latin American military officers in the art of peacemaking

Under the third heading, building bridges, one finds inter alia the following activities suggested:

* a Foundation of the Americas on the model of the Asia Pacific Foundation to develop trade links, cooperation between educational institutions, etc.
* contacts with the Latin American groups in multilateral settings like the UN
* build more proactively on Canada’s presence in the OAS with initiatives like the one Canada prompted (Unit for the Promotion of Democracy) and funded leadership with respect to internal reforms of the OAS
* promote and market Canadian educational institutions
* promote more public awareness of Latin America in Canada.

This is a list of very modest proposals. There are many others. For instance, an effort to coordinate the efforts of such Canadian agencies like the Export Development Corporation, the Canadian International Development Agency, the International Development Research Council, the Department of Foreign Affairs and International Trade, many of the federal and provincial cognate agencies, and
a host of important enterprises and concerns from the private and civic sectors, could make an extraordinary difference over a very relatively short time period.

This framework might be said to have influenced somewhat Canada’s policy stand, but the least that one may say is that it remains unfinished business.

(2) At the meso level

This second avenue is dictated by two important historical facts: the evidence of the greater effectiveness of the catalytic state at the sub-regional level, and the extraordinary success of the Canadian strategy in the Caribbeans.

While, in the long run, it might be possible to imagine winning strategies of collaboration of Canada with some middle power countries of LAC (Brazil, Argentina), it must be recognized that, in the short run, each of these potential allies is also part of sub-hemispheric economic zones, and potential partners are even often a hub connected with some hinterland of more or less dependent spoke-type countries. In such a context, Canada may find it difficult to strike really useful bargains with other middle power countries of the southern portion of the hemisphere which have their own imperial designs, unless it can bring to the table its own zone of influence.

This leads one to re-examine the very successful strategy of penetration of Canada in the Caribbeans (i.e., in establishing privileged relationships with smaller and closer countries in financial and industrial sectors) and to realize that it might easily be pursued all through Central America since most of these countries (Guatemala, El Salvador, Nicaragua, Costa Rica, Panama, but also Columbia and Venezuela) are countries that have had (and still have) to bear the cross of asymmetric influence from larger countries (be they Mexico, Brazil, etc.) and might welcome, as Bermuda and the Caribbeans proper did in the past, some alliance with a less imperial suitor like Canada.

This would appear to be part of an explicit strategy for Quebec: it has trade offices in Buenos Aires and Mexico, but satellite offices in Costa Rica, Venezuela and Columbia. And it may well be that Quebec’s goals of trebling the number of Quebec firms in LAC (from some 500 to 1500) by the year 2005 will turn out to be much more in Central America than in the larger countries of Latin America.

So the strategy of petits pas that has paid off in the Caribbeans may hold promises if it is generalized to Central America. Canada could, in this way, build on the network of initiatives that already exists in the area, and probably take advantage also of the emerging Association of Caribbean States as a vehicle to develop its zone of influence in Middle America. Canada is already an Observer in the ACS but it will have to be creative to exert pressure in subtle ways, for France, through its colonies in the Caribbeans, is already an Associate Member of the ACS.

(3) At the micro level

But it will not be possible to follow either of the strategies mentioned above without a major investment in interpersonal resources, for brokering a greater connectivity with LAC builds much more on interpersonal links and trust than is usually recognized in Canada.
This is bound to entail a major effort to get Canadians in contact with Rotary Clubs and such agencies in LAC, and to learn to make the highest and best use of Canadians who may have developed privileged relationships with groups of Central and Latin Americans. Already, some of the initiatives of Industry Canada to link up some Aboriginal groups in Canada with aboriginal groups in Central America (where in certain countries they represent a significant portion of the population) would appear to be good demonstration projects.

These personal and cultural links have been cultivated by European countries, and the United States has made enormous efforts to create surrogates for such links through an immense effort to attract a significant portion of the best young persons into their educational institutions. Many of the macro and meso initiatives to build bridges between Canada and the LAC may indeed need to be bolstered by the requisite amount of investment in personal networks and flexible business networks not only as communication tools but also as investment in interpersonal resources capabilities (Foa 1971; Laurent et Paquet 1998: ch.1)

**Conclusion**

A closer examination of the data available on trade and investment in the hemisphere, but also of the new dynamics at play, and of the recent robust efforts by the European Union to develop formal links with MERCOSUR, Chile and Mexico, might provide a better sense of what might be potentially lost in the long run by not developing a meaningful Canadian hemispheric governance strategy. The costs of inaction on the long run are immense.

But we have also put forward a few hints about what might be a priority agenda for Canada in the shorter run in the dossier of hemispheric governance. While these are not meant to be more than indicative of what might ensue if a moderate amount of commitment could be mustered, it emphasized the real potential of focusing on the whole ensemble of countries around the Caribbean Sea.

A tally of the unconnected initiatives that Canadians have nurtured and developed in the Caribbeans, and more recently in Central America and the rest of Latin America, would show that they amount to an impressive capital (financial, human, trust, interpersonal, etc.) that remains largely unexploited. Much could be done with a modicum of coordination and real efforts at developing synergies.

The present lack of coordination is based on much ignorance about the potentialities of LAC for Canada. This is the main explanation for the broad range of viewpoints in Canada about LAC. There is little knowledge, therefore little agreement exists on what has to be done, and little commitment to do anything materializes. This is why parliamentary hearings on the challenges and choices facing Canada in LAC might be most productive, cognitively but also as a result economically and politically. They might resolve many of the differences of opinion within Canada and even be the source of a renewed and somewhat coherent Canadian hemispheric strategy.

This will do little however to ensure that the existing conflicting strategies struggling for a viable compromise within the hemisphere will be reconciled (Iglesias and Rosenthal 1995). Therefore it
cannot be expected that progress toward an hemispheric governance regime (however balkanized) will be anything but slow.

And again, this may not be all bad, for Canada is unprepared for any rapid evolution. It has to work obliquely and subtly at developing not only a special place in the geo-governance of the hemisphere, but also the new “capabilities” necessary to acquire the different forms of leadership role that may fit Canada’s role within the hemisphere. As we indicated, these capacities are not only organizational and institutional, they are also personal. For instance, it is clear that Canada will not be able to play a full role in LAC without our collective Canadian linguistic capabilities being improved.

Many obstacles remain for a successful integration (even par morceau) of the Americas after 2005, and one may find many reasons (reversal of economic and political fortunes in Latin America, for instance) to ignore the challenges ahead (Wrobel 1998). In our view, the present dissipation of Canada’s external efforts à tout vent et dans toutes les directions is unwise; Quebec’s focus on LAC is by contrast both strategically and tactically effective. Some coordination and mutual learning may be in order between the different fragments of the Canadian system.

The new millennium may be a unique occasion to re-evaluate Canada’s overall strategy in the Americas, and to re-assess the role Canada and its provinces wish to play, separately or together, in the hemispheric governance.

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