THE CANADA-CHILE FREE TRADE AGREEMENT AND THE DIRECTION OF CANADIAN FOREIGN POLICY IN THE 1990S

SARAH BELLAMY

The Canada-Chile Free Trade Agreement and the Direction of Canadian Foreign Policy in the 1990s

by

Sarah Bellamy

A thesis submitted to the

School of Graduate Studies

in partial fulfilment of the

requirements for the degree of

Master of Arts

Department of Political Science
Memorial University of Newfoundland

March 1999

St. John's Newfoundland

Abstract

A patchwork of multilateral and bilateral trade agreements in the Americas has resulted from states attempting to secure and diversify their trading relations. Regionalism in the world economy has created trade blocs which are potentially exclusionary. Therefore, Ottawa has pushed for regional integration in the Americas, as Ottawa has claimed that it is in Canada's national interest to protect our economic interests in Latin America. Further pressure to pursue regional integration has also come from the corporate sector as free trade agreements protect and promote their growing interests in Latin America. Ottawa has been a leader in the pursuit of greater economic integration in the Americas, as illustrated by Ottawa's decision to sign a bilateral free trade agreement with Chile after its failure for accession to the North American Free Trade Agreement (NAFTA), despite Chile's incomplete transition to democracy.

Ottawa's rhetoric toward Central America and South Africa in the 1980s may lead one to believe that Ottawa also considers democracy and human rights promotion to be in Canada's national interest. Official government statements claimed that our foreign policy should represent Canada's social and political values. However, a closer look at Ottawa's actions reveals a foreign policy that continuously was based on economic self-interest during the 1980s and in the 1990s. This provides an explanation why the Canada-Chile Free Trade Agreement fails to address democracy and human rights issues in Chile. Ottawa will not jeopardize its economic and trade interests for the sake of democratic and human rights issues.

In taking this stand, Ottawa has overlooked the link between democratic development and economic progress. Economic growth in Chile cannot continue without addressing the grave social problems that threaten Chile's transition to democracy. Instability in Chile would affect their economic growth. Now that Canada has a free trade agreement with Chile, we have an interest in their economic stability, therefore we also have an interest in their democratic stability. Policy makers in Ottawa have not looked out for Canada's 'national' interest as it is in our national interest to promote democratic stability in Chile. Democratic stability in Chile will ensure that both countries continue to grow and prosper under the free trade agreement.

TABLE OF CONTENTS

LIST OF TABLES

LIST OF ABBREVIATIONS

AD	Democratic Alliance
AFL-CIO	American Federation of Labor Congress of Industrial Organizations
APEC	Asia-Pacific Economic Cooperation
ASEAN	Association of Southeast Asian Nations
CACM	Central American Common Market
CAU	Canadian Autoworkers Union
CCFTA	Canada-Chile Free Trade Agreement
CIDA	Canadian International Development Agency
CLC	Canadian Labour Congress
CUSFTA	Canada-United States Free Trade Agreement
DEA	Department of External Affairs
DFAIT	Department of Foreign Affairs and International Trade
EAI	Enterprise for the Americas Initiative
EDC	Export Development Corporation
FMLN	Faribunda Marti National Front
FSLN	Sandinista National Liberation Front
FTAA	Free Trade Agreement of the Americas
GDP	Gross Domestic Product
GNP	Gross National Product
IMF	International Monetary Fund
IU	United Left
MDP	Popular Democratic Movement
MERCOSUR	Mercado Comun del Sur
MOU	Memoranda of Understanding
NAFTA	North American Free Trade Agreement
NGOs	Non-governmental Organizations
NSC	National Security Council
OAS	Organization of American States
UN	United Nations
US	United States
WHFTA	Western Hemisphere Free Trade Area

Introduction

The Canada-Chile Free Trade Agreement (CCFTA) came into effect on July 5, 1997, after Chile's failed attempt for accession to the North American Free Trade Agreement. Chile, a country which in 1989 underwent a transition to democracy after sixteen years of military rule, was the next likely candidate for furthering economic integration in the Americas. Chile has enjoyed economic growth, beginning in the mid-1980s under the Pinochet regime and has continued this growth under the new civilian governments. Chile's economic success has attracted the attention of Canadian investors and as a result Canada-Chile trade has dramatically increased in the past few years.

The CCFTA has taken place within the context of regional integration, as well as during a period of democratic transition in Chile. As more regions throughout the world move toward trade blocs, Canada seeks to secure its position within the international economic system. The dynamic growth of Latin American economies has drawn the Canadian government's attention toward the region. As a result, the Canadian government has been creating greater economic links to Latin America in order to secure markets and trade. For Chile, the CCFTA helps secure economic growth which is an important factor for its future democratic stability. It adds legitimacy to the civilian government as it illustrates that they are able to maintain economic growth while at the same time addressing social issues.

This thesis draws on two literatures, Canadian foreign policy and democratic transition and consolidation, to address the issues raised by the CCFTA. In doing so, it

provides an overview of the direction of Canadian foreign policy in the 1990s and how the Canadian government responds to a country undergoing a transition to democracy now that Ottawa is pushing for regional economic integration. To provide an overview of Canadian foreign policy in the 1990s, this thesis examines Ottawa's pro-human rights and democracy discourse of the 1980s to illustrate the disjuncture of its far more realist focus on promoting Canadian trade in the 1990s. The CCFTA also raises issues of Chile's democratic stability and lack of democratic intent in the agreement. These issues are important as instability in Chile could affect Canada's economic interests in that country. To assess democratic stability in Chile, this thesis examines Chile's transition to democracy and the authoritarian elements in its politics which prevent the new civilian governments from consolidating democracy.

By drawing on two separate literatures, the resulting work is neither a complete foreign policy study, or a democratic transition and consolidation study. Rather, it is a study that crosses these frontiers to illustrate the complexities of the CCFTA. For example, to consider why the CCFTA lacks democratic intent (regardless of whether this could actually have been included in the CCFTA or not) two issues need to be addressed. First, why is it important that democratic intent be included in the CCFTA? To answer this question, Chile's democratic transition needs to be examined to illustrate why it is important for both Chile and Canada. Second, why does the CCFTA lack democratic intent? The answer can be found in Canadian foreign policy literature as it provides an explanation as to why Ottawa has decided to ignore concerns about Chilean democracy.

The consolidation of democracy in Chile and its future stability should be important considerations for the Canadian government now that we have a free trade agreement with that country. However, addressing economic issues is not sufficient for democratic stability in Chile as "democracy and the related issues of human rights, popular participation, and good governance are now widely seen as essential pillars of durable development."[1] Therefore, if Canada wants to ensure democratic and economic stability in Chile we must promote these objectives through our foreign and trade policy.

In the 1980s Canada projected the image that it was concerned about democracy and human rights issues through its foreign policies toward Central America and South Africa. The government attributed the instability in Central America to social and economic problems, rather than communist-led subversion, as the US had done. The Department of External Affairs issued two policy reviews, the *Final Report: Canada's Relations with Latin America and the Caribbean* in 1982 and *Competitiveness and Security: Directions for Canada's International Relations* in 1985, which stressed the importance of promoting human rights, democracy, and development assistance in the region. In South Africa, the Canadian government called for an end to apartheid as it was believed to be root problem for the growing outbreaks of violence. The government threatened that it would cut off economic ties if the minority white South African government did not change.

---

[1]David Gillies, *Between Principle and Practice: Human Rights in North-South Relations*. (Montreal: McGill-Queens University Press, 1996) 17.

The image that Canada portrayed in the 1980s may lead one to believe that democracy and human rights issues have gained a higher priority in Canadian foreign policy. Furthermore, with advancements towards democracy in many Latin American countries and considering Canada's desire to promote regional integration throughout the Americas, it is natural to believe that Canada is interested in influencing the stability of democracy as it would have a positive effect on economic and trade relations. However, a closer look at Canadian policies in the 1980s, Canada's historical relations with Chile, and an examination of the CCFTA, demonstrates that Canadian foreign policy is guided by self-interest and has an economic and trade bias. In practice, Canada foreign policy does not live up to its rhetoric.

It is important for Canada to consider human rights and democracy issues in Chile for economic as well as ethical reasons. Now that Canada has a free trade agreement with Chile we have a vested interest in Chile's economic stability as an economic downturn in Chile would have a negative effect on our trade relations. However, Chile's economic growth cannot continue without addressing the needs of the population and introducing the reforms necessary to further consolidate democracy. If the material needs of the population are not met and social unrest results, it could delegitimize the civilian government's efforts creating an opening for the military to take power. As David Gillies suggests: "there is a growing appreciation that the fostering of democratic processes in government and society contributes to economic development by releasing creative

energies, enhancing accountability, and deepening participation."[2] Therefore, Canada also has a vested interest in Chile's capability to address the needs of its citizenry and introduce the necessary reforms to further consolidation of democracy.

Moreover, it is also essential for Canadian foreign policy to address democracy and human rights issues as our foreign policy should reflect the values of the country and Canada's middle power status. Canada is regarded as having similar foreign policies as the 'like-minded' states, the Netherlands, Norway and Sweden. And as David Gillies suggests: "These nations are less encumbered by global strategic troubles than the U.S. Gulliver and are less divided by a polarized domestic public. They should therefore be less compromised in their human rights statecraft."[3] Furthermore, as a country regarded as a 'middle power', Canada is perceived as non-threatening and can "also lead in certain "functional" niches where Canadians have acknowledged skills and interests."[4] Such areas of expertise for Canada include electoral observations, development assistance and peacekeeping.

It is difficult for states to promote democracy and human rights issues because this requires involvement in the domestic concerns of another state. From a realist perspective, as Hans Morgenthau suggests, all states are sovereign, therefore, "no nation has the right, in the absence of treaty obligations to the contrary, to tell any other nation

---

[2]Ibid., 21.

[3]Ibid., 8.

[4]Ibid., 11

what laws it should enact and enforce, let alone to enact and enforce them on the latter's territory."[5] A competing perspective, liberal internationalism, suggests "the idea that we both are and should be a part of a broader community than . . . the nation state."[6] While it is difficult for states to promote democracy and human rights they do have the ability to influence such issues. As Robert Dahl suggests: "Yet democratic countries could make a difference in the long run, I think, if they steadily pursued a policy of supporting changes in the direction of democracy and discouraging changes away from it . . . . Democratic countries could aim in the democratization of non-democratic countries by steadily pursuing policies over many years that focus on changes in the underlying conditions that support stable polyarchy."[7] While it may be difficult for Canada to directly influence human rights and democracy issues in Chile, it is possible.

Despite Canada's potential ability to promote democracy and human rights in Chile, Ottawa has failed to do so on a number of occasions. Canada failed to react to the overthrow of the Allende government and the military coup in 1973; Ottawa maintained relations with the Pinochet regime; unlike the Reagan administration, Ottawa did not become involved with the 1989 plebescite to ensure that the election was free and fair; and in the CCFTA there is no reference to democracy and human rights issues. Canada's

---

[5]Hans J. Morgenthau and Kenneth W. Thompson. *Politics Among Nations: The Struggle for Power and Peace*. 6th ed. (New York: Alfred A.Knopf, 1985) 331.

[6]Gillies, *Between Principle and Practice*. 4.

[7]As cited by, Graham R. Allison and Robert P. Beschel. "Can the United States Promote Democracy." *Political Science Quarterly* 107, no.1 (1992) 86.

relations with Chile have focused on business and trade interests as exemplified by their historical relations, as well as by the fact that during the negotiations for the CCFTA the advisory bodies were heavily weighted with representatives from the corporate sector.

Chapter I

Canadian Foreign and Trade Policy in the 1990s

Growing trade relations with Chile along with Canada's desire to further regional integration throughout the Americas, led the Canadian government to sign a free trade agreement with Chile. As the global economy moves toward the formation of regional trade blocs, Canada and Chile seek to secure markets and their place in the international economy. For Canadian investors, there are many areas of opportunity in Chile, such as mining, power and energy, forestry, information technology and telecommunications, agriculture, the fisheries, and the environment. For Chile, there are similar areas for Canadian investment, expertise and knowledge in such areas will benefit Chilean industries.

Regional integration in the Americas is occurring, with agreements that vary in scope. There are many sub-regional trade agreements, such as Mercado Comun del Sur (MERCOSUR) in South America or Central America Common Market (CACM) in Central America, in which a number of countries have agreed to various trade arrangements. There are also several bilateral trade agreements between countries. The NAFTA, and now the CCFTA, are the only agreements that create a free trade area along with labour and environmental side agreements.

Efforts to create a western hemisphere trade area (WHFTA), which has come to be called the Free Trade Area of the Americas (FTAA), began with President George

Bush's Enterprise for the Americas Initiative (EAI) in 1990. It was intended to support economic reforms and help Latin American economies to put them on a level playing field so that in the long run a free trade area could be established in the western hemisphere. A FTAA "would be the largest trading region in the world with a combined GDP of more than $7.7 trillion."[1] It has been proposed that a WHFTA be established by 2005. However, with varying levels of interest by countries, this may be difficult to achieve.

Despite a decline in a US commitment to establish a WHFTA and a waning interest by some Latin American governments, the Canadian government remains an active promoter for regional integration. Although the Canadian government was initially hesitant to sign a free trade agreement with Mexico, Ottawa has now decided that because it has a trade agreement with Mexico it will continue to pursue free trade agreements with other countries. Canada, along with "some Latin American countries (Mexico, Chile, and Colombia, among others) also recognize the need to prevent exclusive trade blocs and are moving in the same direction, generally speaking."[2] Chile presented itself as the next likely partner for a free trade agreement due to Chile's dynamic economic growth in the past few years.

---

[1]Vilma Petrash. *From Subregionalism to Inter-American Regionalism: NAFTA, MERCOSUR, and the "Spirit of Miami"* Universidad Central de Venezuela [http://www.powerandintegration.com/papers/Spirit.htm]

[2]Jean Daudelin and Edgar J. Dosman eds., "Introduction: The New Era in Canadian-Latin American Relations." *Beyond Mexico.* (Ottawa: Carleton University Press, 1995) 4.

The CCFTA therefore is a result of the Canadian government's policy to expand economic integration in the Americas. Chile initially sought accession to NAFTA, however it failed to be fast-tracked through the US Congress; that is, to be voted on as a package, without amendments. Ottawa then decided that it would move ahead and sign a bilateral free trade agreement with Chile. The free trade agreement with Chile may also provide future benefits for Canada in terms of gaining access to the rich markets in South America, namely Argentina and Brazil. Chile's associate membership in Mercosur gives Canada a window, or an eventual doorway, to that organization.

Chile's economic potential can be illustrated by its growth in GDP and the growth of GDP per capita. The 1990 growth rate was 3.5 percent, while the region as a whole experienced -0.3 percent.[3] In the period between 1990 and 1995 Chile experienced its highest growth rate in 1992 with 7.3 percent, while the region was at 2.7 percent.[4] The growth of GDP per capita has increased from Pinochet's economic policies as in 1990 the average annual rate was at 0.8 percent, while the region was at -2.2 percent.[5] Although in 1995 Chile's GDP per capita remained the same, the region was experiencing a -1.5 percent decrease.[6]

---

[3]Economic Commission for Latin America and the Caribbean. *Statistical Yearbook For Latin America and the Caribbean, 1996 ed.* (Santiago: United Nations, 1997) 74.

[4]Ibid., 74.

[5]Ibid., 75.

[6]Ibid., 75.

Chile's recent economic growth has attracted international interest as the new civilian government managed to maintain economic growth while undergoing a transition to democracy. Chile is also of political importance to students of democratic transition and consolidation, due to its recent political history, which is discussed in detail in Chapter three. Chilean democracy came to an end in 1973 after the military coup, which was a response to the socialist policies of the Allende government. The Pinochet regime terrorized the country, until 1988 when a presidential plebiscite was held that elected General Augusto Pinochet out of power. In Latin America, only Uruguay has a recent history similar to Chile's, although Uruguay does not have constitutional holdovers. Uruguay is similar to Chile in that its democratic political culture saved the country from further military rule. "The voter's rejection of the military's constitutional project in 1980, which would have perpetuated military dominance of even a civilian government, is the most concrete example of the value placed on democracy in Uruguay's political culture."[7] Although Chile has been undergoing a transition to democracy, the consolidation of democracy is not complete because there are many authoritarian holdovers which prevent the new civilian government from implementing the necessary reforms.

The failure of NAFTA and the CCFTA to adequately address democracy, human rights, and environmental issues is part of the debate over expanding or deepening

---

[7]Martin Weinstein. "Uruguay: The Legislature and the Reconstitution of Democracy." *Legislature and the New Democracies in Latin America*. ed. David Close. (Boulder: Lynne Reinner Publ., 1995). 148.

regional integration. Some argue that regional integration should only take place at the economic level because free trade agreements are only about trade and not about the domestic issues of another country. However, Leonard Waverman suggests that in order for all economies to improve under the free trade agreement there needs to be a "ceding of sovereignty in areas of domestic policy where most countries (especially the U.S.) may be unwilling to yield."[8] For Mexico and Chile, it is important to consider domestic issues as many fear that the corporate sector will reap the benefits of the agreement and this in turn will reinforce the authoritarian elements of their political systems making it difficult to implement the necessary reforms for democracy.

As trade and investments increase, the NAFTA and the CCFTA will have to deepen in a number of ways, which can be achieved by setting standards, harmonizing environmental practices, upgrading workplace standards, and consulting about future policies.[9] "NAFTA is in some crucial ways incomplete as it leaves domestic policies in place, policies which can be equivalent non-tariff barriers (NTBs). The ability of NAFTA to survive will depend on the ultimate desires of the three national governments to respond to growing non-tariff barriers."[10] It is important for future economic prosperity in Canada and the Americas to have a deepening of regional integration so that

---

[8]Leonard Waverman, " Post- NAFTA: Can the United States, Canada and Mexico Deepen their Economic Relationship?" *Beyond Mexico* ed. Jean Daudelin and Edgar Dosman. (Ottawa: Carleton University Press, 1995) 57.

[9]M. Delal Baer and Sidney Weintraub, "The Pressure for Political Reform in Mexico." *The NAFTA Debate: Grappling with unconventional Trade Issues*. ed. M. Delal Baer and Sidney Weintraub. (Boulder: Lynne Rienner Publ., 1994) 178.

[10]Waverman, "Post- NAFTA", 56.

it would level out the playing field by furthering the consolidation of democracy. There cannot be economic liberalization in the absence of political liberalization. However, the NAFTA and the CCFTA exemplify Ottawa's policy to expand integration only at the economic level.

It is important for the free trade negotiations to include political issues, for example, democracy because political instability, such as protests, strikes, and violence, could be caused by the lack of democratic development. This could affect that country's future economic stability, threatening foreign trade and investments. Any country which has significant economic ties with that country risks economic losses.

Future regional integration would be strengthened by addressing democracy issues in free trade negotiations as "political issues are intrinsically embedded in processes of integration and that effective management of political challenges is essential to the long-run success of integration schemes."[11] Addressing political issues in free trade negotiations would deepen relations by strengthening economic integration. Greater policy coordination in areas such as macroeconomics, labour and human rights, environmental protection, and democracy issues would increase the economic benefits of free trade by reducing non-tariff barriers such as low cost labour, lax environmental regulations, and minimal social services, such as health, education and poverty reduction policies. Also, the

---

[11]Peter H. Smith, ed. "The Politics of Integration: Guidelines for Policy." *The Challenge of Integration: Europe and the Americas*. (Miami: University of Miami, North-South Centre, 1993) 391.

> insistence on democracy has practical as well as normative advantages: democracies strengthen regional security, since they tend not to make war with each other, and they foster economic reliability, since they tend to comply with legal and international obligations. Precisely for these reasons, the question of democracy should not be avoided or postponed; it should be addressed early and clearly.[12]

Regional Economic Integration

Regional integration and hemispheric trade have been accelerating in the western hemisphere during the past decade. Economic and political advancements in Latin American countries have prompted open trading policies focusing on the importance of exports and international competitiveness. With the increase of regional free trade blocs occurring throughout the world (such as the European Union, Association of South-East Asian Nations (ASEAN) in Southeast Asia, and the Asia-Pacific Economic Cooperation (APEC) in the Asia-Pacific region) the Western Hemisphere countries are moving toward their own free trade agreements. As a result, economic integration is taking place. It has emerged at the subregional level rather than regional due to the immense economic differences between the north and the south.

In South America there is MERCOSUR, the Andean Pact, CARICOM in the Caribbean, CACM in Central America, and NAFTA in North America. There are also a number of bilateral, trilateral, and multilateral free trade agreements between countries

---

[12]Ibid., 404.

that vary in scope. For example, Mexico has free trade agreements with Chile, Costa Rica and Bolivia. Chile also has various trade agreements with Venezuela, Argentina, Mexico, Brazil, Columbia and Canada.[13] In 1990 President Bush announced the EAI which envisioned, in the long-run, a hemispheric free trade zone throughout the Americas. And in 1996, the Summit of the Americas was held in Miami where government leaders promoted the idea of an FTAA. Government leaders in the Americas are promoting the idea of a hemispheric free trade area; however, there are differing opinions as to which method should be used to achieve it.

The devastating effects of the ISI policies[14] left Latin American countries with huge external debts, high inflation, increased capital flight, low growth rates, rising unemployment, falling real wages, and declining social conditions. They had economic systems that were inward looking and state controlled at a time when the rest of the world was moving toward open economic policies. Since the late 1980s, Latin American countries have improved economically and the political crisis that gripped the region has subsided.

A study by the Inter-American Development Bank indicated that if the current economic reform process continues, annual growth rates should be between 3.9% and

---

[13]Gary C. Hufbauer and Jeffery J. Schott, *Western Hemisphere Economic Integration* (Washington: Institute for International Economics, 1994) 225-228.

[14]Import Substitution Industrialization Policies erected high tariff barriers to protect local industries that produced consumer goods from foreign competition. New industries generated little employment and as local artisan industries were forced out of business poverty increased. Liisa North, *Between War and Peace in Central America: Choices for Canada* (Toronto: Between the Lines, 1990) 30.

5.2% in the major South American economies for the rest of the decade.[15] Recently, Latin American governments have adopted outward looking economic policies that focus on expanding the private sector, reducing government intervention, increasing exports, and many have unilaterally lowered tariffs and trade barriers. Many countries have also undergone some form of democratization which has added to the legitimacy of their commitment to economic change.

In June 1990 US President Bush announced the EAI. It was intended to promote economic reform in Latin America, provide debt relief, assist in trade and investment liberalization, and in the long-run, establish a WHFTA. The Latin American governments welcomed the EAI, as it was a symbol of US commitment to the region at a time when regional trade blocs throughout the world were threatening to become exclusionary and thus, leaving Latin American countries with limited international markets. The EAI therefore signalled to Latin Americans that they would not be left out in the cold. Gary Hufbauer and Jeffery Schott in *Western Hemisphere Economic Integration* state that the EAI sought to promote the flow of foreign capital to the region in order to relieve the debt crisis; show US support for emerging the market-based reforms; assure the region it was still important to the US at a time when the Soviet

---

[15]Conrad Sheck et al., "The Americas in Transformation" *Policy Staff Paper, Department of Foreign Affairs and International Trade.* [http://www.dfait-maeci.gc.ca/english/foreignp/dfait/policy papers/94 06 e/s 5html]

Union appeared to be its sole preoccupation; to assure Latin American countries that they would not be forgotten as the US began free trade negotiations with Mexico.[16]

Under the EAI a number of bilateral framework agreements have been established between the US and all Latin American and Caribbean countries, except Haiti, Surinam, and Cuba. The agreements "generally contain a statement of principles covering: the benefits of open trade and investment; the increasing importance of services in the economy; the need for adequate protection of intellectual property rights; the importance of observing and promoting internationally recognized workers' rights; and the desirability of effectively resolving trade and investment problems."[17] The agreements are a basic way to promote economic reforms and free trade.

To encourage investment, there are two programs to be administered by the Inter-American Development Bank (IADB). One program is to "create a new policy-based lending program to promote the reform of investment regimes. The program would provide both technical advice and financial support for privatization efforts and the liberalization of investment regimes."[18] Chile received $150 million in June 1991, which was the first loan approved.[19] The second program proposed is a "multilateral investment

---

[16]Hufbauer and Schott, *Western Hemisphere Economic Integration*, 15.

[17]Jeffrey J. Schott and Gary C. Hufbauer, "Free Trade Areas, the Enterprise for the Americas Initiative, and the Multilateral Trading System." *Strategic Options For Latin America in the 1990s*. ed. Colin Bradford. (France: Organization for Economic Co-operation and Development, 1992) 256.

[18]Roger Porter, "The Enterprise for the Americas Initiative: A New Approach to Economic Growth." *Journal of Interamerican Studies and World Affairs* 32, no.4, (1990) 7-8.

[19]Hufbauer and Schott. "Free Trade Areas" 257.

fund, to which the United States, the European Community, and Japan would each contribute $100 million annually over the next five years beginning in 1992.[20]

The EAI also intended to provide debt relief. To do this the EAI "proposes an Enterprise for the Americas Facility administered by the US Treasury Department. Debt reduction, investment reform, and environmental protection are all part of the package."[21] In order to receive support from the Facility, countries must first meet a number of criteria. These include implementing reform programs of the International Monetary Fund (IMF) or World Bank, adopting major investment reforms, and negotiating a satisfactory financing program with commercial banks.[22] By December 1992, "$1.1 billion in Inter-American Development Bank investment-sector loans to eight countries and $303 million of debt reduction to five countries had been approved."[23]

Despite initial optimism and ambitious aims of the EAI, it has had little success. It has done "little more than reinforce ongoing trade and investment reforms and accelerate subregional efforts toward integration."[24] Although the EAI was generally well received by Latin American and Caribbean governments, it was a unilateral act that lacked prior consultation with other governments. The Initiative was also regarded as too ambitious,

---

[20]Ibid., 258.

[21]Ibid., 258.

[22]Porter, "The Enterprise for the Americas Initiative." 8.

[23]Hufbauer and Schott, *Western Hemisphere Economic Integration*, 2.

[24]Ibid., 2.

as Vilma Petrash notes: "The too ambitious objectives of the EAI which, along with the lip-service support paid by the Bush administration to the EAI, may well explain the reduced coordination shown by the U.S. government agencies encharged with its implementation."[25] In October 1991 the U.S. House of Representatives rejected the Foreign Aid Authorization Bill of 1991, which incorporated the EAI Act of 1991.[26] Other uncertainties also surrounded the motivation behind the EAI as some believed that Mexico's accession to NAFTA was a result of its 'special relationship' with the US, which the other countries lacked.[27] Furthermore, the delay of NAFTA's ratification, the political and social crisis that hit Mexico shortly after the ratification of NAFTA, and the long list of obligations that other countries had to meet in order to be considered for accession to NAFTA created uncertainty and second thoughts to many Latin American and Caribbean governments.[28]

In 1991, after the announcement of the EAI, MERCOSUR was established with the signing of the Treaty of Asuncion. It consisted of Brazil, Argentina, Paraguay and Uruguay. Chile and Bolivia joined in 1996 as associate members. This agreement consisted of "the establishment of a common market involving the 'free movement of goods, services and factors of production' among member states, the establishment of a

---

[25]Petrash, *From Subregionalism to Inter-American Regionalism*, 6.

[26]Schott and Hufbauer, "Free Trade Areas," 268.

[27]Petrash, *From Subregionalism to Inter-American Regionalism*, 6.

[28]Ibid., 6.

common external tariff (CET), the adoption of a common trade policy and the coordination of economic and sectoral policies."[29] Two administrative bodies were also established: the Common Market Council oversees the general policies of the agreement, and the Common Market Group oversees "the operation of 10 working groups on trade, regulatory, and macroeconomic issues between the countries."[30] MERCOSUR was a significant move toward subregional integration as the four member countries "comprise nearly one-half of Latin America's gross domestic product, more than 40 percent of its total population, and about one-third of its foreign trade."[31]

Also embodied in the agreement was the notion that through increased economic integration, peace and political stability would be sustained.[32] It was thought that by increasing interdependence in the region, the costs of instability would be high, therefore everyone would have a vested interest in maintaining stability. As Felix Pena stated, MERCOSUR is "not simply an economic project. . . although its principle measures related to trade, production, and investment, it transcends economics and penetrates the broadest of political issues."[33]

---

[29]Keith Christie. *The Four Amigos and Beyond: Towards the Free Trade Area of the Americas* [http://www.dfait-maeci.gc.ca/english/foreignp/dfait/policy~1/1995/part1_10.htm]

[30]Hufbauer and Schott, *Western Hemisphere Economic Integration*, 106.

[31]Peter Smith, ed. "The Politics of Integration: Concepts and Themes." *The Challenge of Integration: Europe and the Americas*. (Miami: University of Miami, North-South Centre, 1993) 8-9.

[32]Ibid., 9.

[33]Ibid., 9

In theory, MERCOSUR sets out an ambitious agenda for further economic integration and free trade. In reality, it has not accomplished what it set out to do. Its initial intent of eliminating tariffs and removing all non-tariff barriers to intra-regional trade by January 1995 was not reached because it was extended for another four years and approximately 200 non-tariff barriers remain in place.[34] Also, it is not as comprehensive as the NAFTA, as it does not include cross-border trade in services, intellectual property rights, product standards and regulations or government procurement.[35]

With the NAFTA in North America, MERCOSUR in South America, and the other various free trade agreements in the Americas, there is an interest in further economic integration by all government leaders. Further integration cannot begin until other countries meet some requirements that put them all on a level playing field. Many of the Latin American and Caribbean countries are interested in further integration because it would secure access to US markets. A hemispheric free trade area in the Americas would combine GDP of more than $7.7 trillion. It would be the largest free trade area in the world.

A Summit was held in Miami in December 1994 to promote the idea of a Free Trade Agreement for the Americas (FTAA). Negotiations for the agreement are to be completed by 2005. Government leaders signed a Declaration of Principles, "to promote and strengthen democratic governance, prosperity through economic integration and free

---

[34]Christie, *The Four Amigos and Beyond*, 10.

[35]Ibid., 10.

trade, the eradication of poverty and discrimination, and sustainable development."[36] They also signed a 'Plan of Action' outlining specific measures governments would use to meet the requirements of the Declaration and an FTAA. [37] Although all government leaders are interested in creating a FTAA, there are differing opinions and options as to how it should be achieved.

Brazil is hesitant toward creating an FTAA, especially one centered on NAFTA. Brazil currently enjoys the position of the 'hub' in South America, because it is the largest economy and has the largest population. However, Brazil is reluctant to "engage internationally on deep liberalization with regard to investment, trade in services and government procurement."[38] As a member of MERCOSUR, this has created a problem in establishing a common external tariff because Argentina has an open economy.[39] This suggests that Brazil would be reluctant to accept the obligations of NAFTA. Brazil would rather establish a free trade area in South America and use it as a counterweight to the NAFTA and better their negotiating position with the US.[40]

An FTAA centered around NAFTA is questionable given recent events. Mexico's economic and social crisis after the ratification of NAFTA has placed doubts in the minds

---

[36]Petrash, *From Subregionalism to Inter-American Regionalism*, 9.

[37]Ibid., 9.

[38]Christie, *The Four Amigos and Beyond*, 20.

[39]Alberto van Klavern, *The Challenge of Integration: Europe and the Americas*. ed. Peter Smith (Miami: University of Miami, North-South Centre, 1993) 123.

[40]Petrash, *From Subregionalism to Inter-American Regionalism*, 35.

of Latin American leaders. Also, the fact that Chile failed to acceed to NAFTA because of the failure of its application to be fast-tracked through US Congress raises questions concerning the US's commitment to the idea of an FTAA. However, an FTAA centred around NAFTA would be an advantage, given the access to US markets, simplified trading practices, and the preservation of each member's capacity to maintain its own tariffs to non-member states.[41]

Although the US commitment to an FTAA has waned, Canada remains an active player. Canada's decision to seek a bilateral free trade agreement with Chile was a result of Chile's failure to be allowed to join NAFTA and Canadian and Chilean desire to further economic integration. Chile's interest in expanding economic integration is also demonstrated by Chile's decision to join MERCOSUR as an observer in 1991. Chile's growing economy and its transition to democracy provides stability in South America, a region historically plagued with political instability and economic disparities.

Canada-Chile Bilateral Free Trade Agreement (CCFTA)

Trade between Canada and Chile has expanded in the past few years. Two-way trade between Canada and Chile has doubled over the past decade from $202.4 million in

---

[41]Ibid., 10.

1983 to $552.5 million in 1994[42] and in 1996 it reached a high of $760 million.[43] Since 1983, "Canadian exports of wheat, pulp and paper machinery, telecommunications and mining equipment, automotive parts and steel products have increased by several hundred percent."[44] The actual and planned investment in Chile by Canadian investors is approximately $7 billion.[45] There are also "more than 50 Chile-Canada joint ventures operating in Chile, ranging from fighting forest fires to building industrial machinery."[46] In 1994, "Canadian exports to Chile were $314.4 million, an increase of almost 50 per cent from 1993."[47] The table below indicates Canada-Chilean exports for 1996. In 1996 Chilean exports to Canada reached $342.0 million and Canadian exports reached $330 million which is an increase from 1994. Chile's immense economic improvements and the increase in trade between Canada and Chile promoted the signing of the bilateral free trade agreement.

---

[42]Department of Foreign Affairs and International Trade. "Focus On Chile." *Canadexport On-Line* [http://www.dfait-maeci.gc.ca/english/geo/lac/81307e.htm]

[43]Department of Foreign Affairs and International Trade. "Canada-Chile Trade and Investment Relations." [http://www.dfait-maeci.gc.ca/english/geo/lac/81307e.htm]

[44]DFAIT. "Focus On Chile".

[45]Allan J. Gelkopf. "The Canada-Chile Free Trade Agreement: Linking North and South America." *World Report*, IX, no.1, (1997) [http://www/hg/org/supp50.html]

[46]Department of Foreign Affairs and International Trade. "Canada-Chile Trade and Investment Relations."

[47]Department of Foreign Affairs and International Trade. "Focus On Chile."

Table 1.1
Canada-Chile Trade[48]
1996

Chilean Exports to Canada		**Canadian Exports to Chile**	
Products/Chapter	(Million $ Cdn)	Products/Chapter	(Million$ Cdn)
Edible fruit + nuts	124.3	Cereals	71.7
Ores, Slag,+Ash	88.6	Nuclear reactors, boilers	
Beverages, spirits	38.5	mechanical appliances	48.3
Processed fruits +		Electrical machinery,	
vegetables	21.4	equipment parts	44.8
Residues + waste from		Mineral fuels, oils	
food industry (fishmeal)	18.9	+ products of	
Fish+crustaceans	10.3	their distillation	24.6
Inorganic chemicals	7.2	Salt, sulphur, earth+stone,	
Iron+steel	5.5	plastering material, lime+	
Pulp of wood	4.7	cement	14.6
Fertilisers	2.5	Vehicle parts+accessories	14.0
Total Exports to Canada: 342.0		Special Classification	
		Provisions	9.4
		Articles of Iron+Steel	8.6
		Edible vegtables	7.1
		Total Exports to Chile:	**330.0***

*Includes Canadian Re-exports
Source: Statistics Canada

The Canadian Export Development Corporation (EDC) is open for business in Chile with no restrictions and provides a "variety of financing services to Canadian businesses, including direct buyer loans, leasing, note purchases, pre-shipment, and project financing."[49] For Canadian businesses there are many prospects for investment in

[48]Chile Business Update. "Summary Chile-Canada Trade", [http://www.chiletrade.cl/chiletrade/newslttr.004/index.html]

[49]DFAIT. "Focus on Chile"

mining as it accounts for 8 percent of GDP in Chile; forestry accounts for 14.4 percent of Chile's total exports; agriculture and food accounts for 7 percent of GDP; fisheries accounts for 1to 2 percent of GDP; and information and technology and telecommunications is promising given privatization and deregulation of the industry.[50] Chile's open economy, minimal regulations, and few government subsidies, created a favourable investment climate which led to Canada offering Chile a free trade deal.

For Chile, Canada is an important trade partner because Canada has "an excellent reputation in Chile as a reliable supplier of advanced technology and products, enhancing the potential for sales of goods and services and for technology transfer."[51] For Canadian businesses there are many sectoral opportunities. In mining, Chile is the world's largest copper producer and exporter, and is also the largest producer and exporter of potassium and sodium nitrate.[52] Chile imports mining equipment, therefore Canada has an opportunity as a supplier that has "greatly enhanced the potential for sales and technology transfers with Canadian companies."[53] Currently, Canada is Chile's "largest foreign investor in the mining sector, with over a US$ billion in actual and planned investment."[54]

---

[50]Ibid.

[51]Ibid.

[52]Ibid.

[53]Ibid.

[54]Ibid.

In the forestry sector, opportunities for Canadian business can be found in such areas as: "silviculture; treeharvesting and logging; sawmilling engineering and equipment; lumber drying kilns; chipping equipment; lumber remanufacturing engineering and equipment; and pulp and paper machinery and equipment. . .forest fire fighting, environmental studies, pest control, and forestry operations safety equipment."[55] Canadian interests in the power and energy sectors are also significant because "the availability of natural gas in Chile should lead to considerable effort to convert existing processing plants from coal/fuel to direct-fired natural gas, especially in the forestry (pulp and paper), mining, fisheries and food processing industries."[56] Opportunities also exist in: "natural gas residential heating systems; household appliances such as dyers and overs; conversion of buses and taxis to natural gas; consulting engineering services; and pipeline construction."[57]

In the information technology and telecommunications sector, opportunities are present due to the privatization and deregulation of the industry.[58] These include: "cartographic surveying, aerial photography, geophysical surveying, satellite-based

---

[55]Department of Foreign Affairs and International Trade. "Chilean Forestry Sector Overview", [http://www.dfait-maeci.gc.ca/english/geo/lac/ch-fores.htm]

[56]Department of Foreign Affairs and International Trade. "Focus On Chile."

[57]Ibid.

[58]Ibid.

imaging, global information systems, radar imaging, urban planning systems, and global positioning systems."[59]

Chile's imports of wheat (durum and spring), lentils, peas, canary seed, tobacco, dairy products, processed foods, confectionary items, meat products and animal genetics are primarily from Canada.[60] For Canada, this translates into an increase in business in these areas.

In the environmental sector, opportunities are enhanced by the environmental side agreement to the CCFTA. The Chilean government has been attempting to improve its environmental regulations and this provides Canada with the opportunity to share its expertise in environmental legislation and knowledge.

Prior to the beginning of the negotiations to the Canada-Chile bilateral free trade agreement, a number of Canadian Ministers made official visits to Chile. In January 1995, Prime Jean Minister Chretien headed the first ever trade delegation to Chile. Over 250 business people accompanied the Prime Minister and "business deals worth $1.7 billion ($918 million in contracts and $846 million in agreements in principle) involving 33 Canadian companies were signed."[61] Also during this visit, a number of new agreements and memoranda of understanding were signed: the Canada-Chile Permanent

---

[59]Ibid.

[60]DFAIT. "Focus On Chile."

[61]Department of Foreign Affairs and International Trade. "Canada-Chile Relations Sept.97" [http://www.dfait-maeci.gc.ca/english/geo/lac/81306e.htm]

Binational Commission on political, economic, and commercial relations; Business Council on National Issues signed a strategic alliance with the 'Confederacion de la Produccion y del Comerico' to foster direct business to business linkages within the context of NAFTA; new environmental and telecommunication memoranda of understanding were signed; transportation memorandum were also signed.[62] Other official visits included the Minister of Agriculture and Agri-Food, the Secretary of State, the Minister of International Trade, the Minister of Transport, and the Minister of Environment.

Negotiations for the CCFTA began in January 1996 after Chile's failed attempt for accession to NAFTA. The negotiations were conducted under the direction of the DFAIT.[63] The Minister of international Trade received advice from industrial lobbyists and two appointed bodies: the International Trade Advisory Committee and a number of Sectoral Advisory Groups on International Trade.[64] Both of these advisory bodies were heavily weighted with representatives from the corporate sector.[65] According to David Robinson, Research Coordinator for the Canadian Centre for Policy Alternatives, the negotiations were held in secret, therefore not much information is available on the

---

[62]DFAIT. "Canada-Chile Trade and Investment Relations."

[63]Ibid.

[64]David Robinson. Interview, December 19, 1997.

[65]Ibid.

process.[66] One stumbling block was removed when the Canadian government managed to negotiate "relief from the Chilean central bank's power to demand a 30 percent reserve deposit on foreign investment."[67] This will allow Canadian investors to be exempt from Chile's requirement that 30 percent of their capital remain in the country.[68]

After several rounds of negotiations, Prime Minster Chretien and President Eduardo Frei signed the CCFTA in Ottawa on November 18, 1996. Also during Frei's visit, the side agreements on the Environment and Labour were signed. As well as, "the Social Security Agreement and an MOU [memoranda of understanding] on cooperation between the CIDA [Canadian International Development Agency] and its Chilean counterparts were signed."[69] The agreement came into effect on July 5, 1997.

The CCFTA is closely patterned on the NAFTA, because it is intended to provide a bridge to Chile's accession to the NAFTA. "The interim bilateral agreement will be compatible with current NAFTA provisions and will encompass trade in goods, services, investment, dispute settlement mechanisms, and side agreements on labour and environmental cooperation."[70] The purpose of the CCFTA is to eliminate most tariffs and

---

[66]Ibid.

[67]Gelkopf. "The Canada-Chile Free Trade Agreement: Linking North and South America."

[68]Ibid.

[69]DFAIT. "Canada-Chile Relations Sept.97"

[70]DFAIT. "Focus On Chile.".

non-tariff trade barriers on goods traded between two countries.[71] There will be "immediate duty-free access for 80 percent of Canadian exports to Chile and elimination of Chile's 11 percent import duty on almost all remaining industrial and resource-based goods over five years."[72] The CCFTA also contains a "mutual elimination of anti-dumping duties within a maximum of six years."[73] It is Chile's hope that this agreement will lay the groundwork for their accession to the NAFTA.

The objectives of the agreement are presented in Part One: General Part, Chapter A of the Canada-Chile Trade Agreement. Article A-02: Objectives states:

> 1. The objectives of this Agreement, as elaborated more specifically through its principles and rules, including national treatment, most favoured-nation treatment and transparency, are to:
>
> (a) eliminate barriers to trade in, and facilitate the cross-border movement of, goods and services between the territories of the Parties;
> (b) promote conditions of fair competition in the free trade area;
> (c) increase substantially investment opportunities in the territories of the Parties;
> (d) create effective procedures for the implementation and application of this Agreement, for its joint administration and for the resolution of disputes; and
> (e) establish a framework for further bilateral, regional and multilateral cooperation to expand and enhance the benefits of this Agreement.[74]

---

[71]Gelkopf. "The Canada-Chile Free Trade Agreement: Linking North and South America."

[72]DFAIT. "Focus On Chile."

[73]Ibid.

[74]Canada-Chile Agreement. *Part One: General Part*; [http://www.dfait-maeci.gc.ca/english/geo/lac/cda-chili/chap-a26.htm]

The CCFTA also contains dispute settlement panels. The Free Trade Commission and the FTA Secretariat "are intended to resolve problems through joint decision making and effective dispute resolution, with both countries having an equal voice."[75] This will resolve any disputes that may arise. In case of extraordinary circumstances, there are emergency safeguards which protect a country from the other country imposing "import measures that may significantly divert trade."[76] The dispute settlement panels and the safeguards provide both countries with protection.

The Labour and Environment Agreements on Cooperation were signed on February 6, 1977. The Canada-Chile Agreement on Labour Cooperation is similar to the North American Agreement on Labour Cooperation.[77] The Labour Agreement: "Builds on the commitment of the Preamble to the Canada-Chile Free Trade Agreement (FTA): to "improve working conditions and living standards" in both countries; and to "protect, enhance and enforce basic workers' rights."[78] In order to fulfill the requirements of the agreement and to assure adherence to the Labour agreement the following will be established: a Commission for Labour Cooperation; a Cooperative Work Program; cooperative consultations and independent evaluations; and a dispute resolution process.[79] In a Press Release issued by the

---

[75]DFAIT. "Focus On Chile."

[76]Ibid.

[77]Department of Foreign Affairs and International Trade. *Highlights of the Canada-Chile Agreement on Labour Cooperation.* [http://www.dfait-maeci.gc.ca/english/geo/lac/ch-labour.htm]

[78]Ibid.

[79]Ibid.

Canadian Department of Foreign Affairs and International Trade, the government stated: "The Canada-Chile Agreement on Labour Cooperation reflects the will of both countries to improve working conditions and living standards and to protect, enhance and enforce basic workers' rights, in the areas of freedom of association and the right to organize, employment standards and occupational safety and health standards."[80]

The Environmental Cooperation Agreement is similar to the Environmental Agreement in the NAFTA. The Environmental Agreement will ensure that Canada and Chile "effectively enforce their environmental laws and to cooperate on environmental matters."[81] As a result of Chile's minimal environmental regulations, there will be a transition period of two years in order for Chile to meet the requirements of the Environmental Agreement.[82] The Environment Agreement establishes a Canada-Chile Commission for Environmental Cooperation which will: act as a forum for discussions; oversee the implementation of the agreement and recommendations; promote and facilitate cooperation between parties on environmental matters; and act as advisors for interpretation of the environmental agreement.[83] Citizens and non-governmental organizations will also be able to "make submissions should they believe governments have failed to effectively

---

[80]Department of Foreign Affairs and International Trade. "Canada Signs Environmental and Labour Agreements with Chile." *Press Release, February 6, 1997*, [http://www.ec.gc.ca/naaec-anace/english/new/canchilpres_e.htm]

[81]Ibid.

[82]Ibid.,

[83]Ibid.

enforce environmental laws. These submissions will be evaluated by an independent panel, the Joint Submissions Committee, and a factual record may be prepared."[84]

The CCFTA and the NAFTA are similar in most areas such as the custom procedures and the rules of origin. However, there are a few modified provisions. The 'rules of origin' are "to determine whether a particular good qualifies for preferential treatment so as to prevent goods from other countries from gaining preferential access."[85] The rules of origin differ in the CCFTA as, "the rules of origin for certain manufactured products have been relaxed on a transitional basis."[86] Other variations are in areas such as cultural industries; social services; over-quota tariffs for supply-managed products; and terms of the Auto Pact which are excluded from the CCFTA.[87]

Opposition to the CCFTA was similar to what arose in response to NAFTA because critics believed that the labour and environmental side agreements were toothless. Opposition groups argued that the Canadian government was putting economics ahead of democracy and human rights. Critics of the CCFTA argued that Canada should have waited to sign a free trade agreement with Chile until significant reforms took place within Chile. Due to the authoritarian holdovers from the Pinochet regime, social, labour, and environmental reforms have been slow. Opponents argued that by waiting, the Canadian

---

[84]Ibid.

[85]DFAIT. "Focus On Chile."

[86]Gelkopf. "The Canada-Chile Free Trade Agreement: Linking North and South America."

[87]Ibid.

government would have put pressure on those groups opposing change within Chile. Chilean organizations such as the 'Chilean Action Network for an Initiative of the People', the 'National Network of Ecological Action', and the 'Union Coordinating Committee on NAFTA and Other Trade Blocs', urged the Canadian government to postpone the signing of the agreement until labour laws were changed in Chile.[88] Environmental groups in Chile also believe that the CCFTA will produce greater environmental costs because enforceable clauses are absent from the body of the agreement.[89] Many Chileans fear that the agreement will entrench the outdated social, labour and environmental laws.

Within Canada, opposition to the CCFTA arose from labour and environmental groups such as the Canadian Labour Congress (CLC), the Canadian Autoworkers Union (CAU), United Steelworkers, the Canadian Environmental Law Association, the Coalition for Economic Justice, the Environmental Mining Council of British Columbia, and a coalition of various groups called Common Frontiers. Although these groups sought to influence the government during the negotiations their success was limited. The CLC issued a letter to the Trade Minister and also worked with groups in Chile to resist the deal.[90] Bob White, of the CLC, stated the CLC "is willing to support a bilateral trade arrangement with

---

[88]Rachel Hays. "Canadians, Chilean Groups Forge Cross-Border Links." *Borderlines* 5, no.1, (1997) [http://www.zianet.com/ircl/bordline/bl131link.html]

[89]Chilean Action Network for an Initiative of the Countries, et al. "Open Letter from Chile to Canadian Parliamentarians." [http://www.web.net/~comfront/oletter.htm]

[90]Robinson. Interview.

Chile, provided that it advances the interests of working people in both countries."[91] While acknowledging the difficulties facing the Chilean workers, Lawrence McBrearty, USWA Canadian Director, argued that the CCFTA is also damaging for Canadian workers. He asserts that: "Employers frequently use examples of off-shore regulations and low standards to cool off bargaining demands in Canada. Most of the examples cited in bargaining are newly developing economies like that of Chile."[92] Also, as Bob White states: "For example, much higher health and safety standards in British Columbia forest and mining industries are placed under severe downward pressure when mining companies are relocating to Chile."[93] Other critics argue that the environmental side agreement is not sufficient for maintaining and enforcing environmental standards. They believe that the low environmental standards in Chile will force Canada to lower its own standards.

Conclusion

Although the CCFTA contains a labour and environment side agreement, it is more rhetoric than a plan for action. An absence of democratic intent in the CCFTA is a result of Canadian foreign policy focusing on self-interest. Ottawa does not want to be left out in the cold as the world economy moves toward the formation of exclusionary trade blocs.

---

[91]Bob White. "Canada-Chile Trade Talks Provide Opportunity to Define New Model." *Common Frontiers*, [http://www.web.net/~comfront/newmodel.htm]

[92]Lawrence McBrearty. "Trade Deal with Chile will repeat NAFTA's Mistakes." *Common Frontiers* [http://www.web.net/~comfront/fairtrad.htm]

[93]White. "Canada-Chile Trade Talks Provide Opportunity to Define New Model."

Therefore, Canada is pursuing economic integration in the Americas to secure markets and its place in the world economy. An increase in foreign investments and trade in Latin America has resulted in the corporate sector playing an important role in the formation of Canadian foreign policy. Civil society, labour and environmental groups have had little input in Canada's policies, as illustrated by their absence in the negotiations for the CCFTA.

It is unlikely that the Chilean government would have been prepared to incorporate democratic intent in the CCFTA because there are too many reforms necessary that would have been disliked by the right and corporate sector. However, the problem is that the CCFTA reinforces a status quo that has distinctly non-democratic elements to it. For Chile, it is important to consider democratic issues in the free trade agreement because the consolidation of democracy there is uncertain. Chileans fear that the economic benefits of the trade agreement will reinforce the presently existing poor working conditions, low wages, and environmental degradation.[94]

The Canadian government's policy of expanding regional integration at the economic level instead of deepening existing relations with partner countries will create an unequal playing field. Deepening relations would include greater policy coordination and harmonization in domestic areas, such as political, social, labour, and environmental areas. However, by failing to address the importance of deepening relations it creates non-tariff

---

[94]Chilean Action Network for an Initiative of the Countries, et al. "Open Letter from Chile to Canadian Parliamentarians"

barriers,[95] such as lower wages, lax environmental regulations, and minimal social services. In turn, this may put pressure on Canada to lower its standards in order to remain competitive. Therefore, growth in trade and investments requires harmonization of policies in such areas.

There is reason to believe that the Canadian government incorporates human rights and democracy issues in its foreign policy. Since the 1980s Canadian participation in such organizations as the Organization of America States (OAS) and the Inter-American Development Bank, has increased. Canadian rhetoric has also focused on issues that concern the western hemisphere, such as democratic development, OAS reform, human rights, hemispheric security, economic cooperation, women's rights, drug trafficking, and the environment.[96] As Peter McKenna points out: "In the area of human rights, Canada still remains interested and committed - at least in the sphere of rhetoric."[97]

During the 1980s, Ottawa's rhetoric focused on the importance of peace and democracy in Central America. Ottawa felt that the instability in Central America was caused by political, social, and economic instability, rather than being part of the East-West conflict, as the US had done. Ottawa also voiced it concerns over apartheid in South Africa and called on the South African government to change its domestic policies. However,

---

[95]Waverman, "Post-NAFTA", 56.

[96]Peter McKenna, "Canada-OAS Relations: More of the Same." *Beyond Mexico.* ed. Jean Daudelin and Edgar Dosman. (Ottawa: Carleton University Press, 1995) 158.

[97]Ibid., 161.

Ottawa's concerns about democracy and human rights issues were expressed more strongly in words than in deeds. A closer examination of Canada's relations with Central America and South Africa in the 1980s reveals a foreign policy that was influenced by self interested economic and trade matters.

Chapter 2

Canadian Foreign Policy: Words and Deeds

Introduction

In the 1980s, Canada's role in the international realm was expanding as it was playing more important parts in international organizations, international financial institutions, and the United Nations (UN). As the Cold War continued, Canada's middle power status and its multilateral activities provided it with a uniquely non-threatening position. Canada's economic and military capabilities were not significant enough to threaten other countries, therefore, Canada's development assistance was often sought. Canada's foreign policy was often compared to those of the 'like-minded' states which incorporated humanitarian issues into their foreign and aid policies. An increased awareness of human rights and developmental assistance at the domestic and international level marked a change in Canadian foreign policy rhetoric during the 1980s. Canada's foreign policy toward Central America and South Africa provide examples of Ottawa's rhetoric. Ottawa attempted to promote the idea that through foreign and aid policies Ottawa would facilitate and support the changes necessary to bring about democratic change and respect for human rights.

Two government reports, the *Final Report: Canada's Relations with Latin America and the Caribbean* and *Competitiveness and Security: Declarations for Canada's International Relations*, along with official government statements, provide reason to

believe that "peace, human rights and democracy were among the main fields of Conservative government interest."[1] Canada's support for the Esquipulas II Accord and the Contadora Groups also provides examples of Canada becoming more involved in the domestic problems of the Central American countries. Ottawa believed that the crisis in Cental America was not part of the East-West conflict but a result of years of political and social repression, human rights violations, and economic failures. The government reports suggested that the solution was to increase aid and to facilitate democratic changes in the region through peaceful measures. Ottawa also believed that the crisis in South Africa was a result of years of oppression by the white minority government. The Mulroney government threatened economic sanctions on South Africa if its government did not change its domestic policies.

Ottawa's foreign policies toward Central America and South Africa were often confusing and conflicting. A closer examination of Canadian foreign policy reveals that humanitarian and democratic concerns were not given a higher priority than trade and economic interests. Canada had economic interests in the Caribbean Basin and feared that these interests would be harmed if instability in Central America were not contained.[2] Therefore, Ottawa wanted to stabilize the region to protect Canadian economic interests.

---

[1]Gordon Mace and Claude Goulet, "Canada in the Americas: Assessing Ottawa's Behaviour," *International Journal of Canadian Studies* (1996), 148.

[2]James Rochlin, *Discovering the Americas: The Evolution of Canadian Foreign Policy Towards Latin America.* (Vancouver: UBC Press, 1994) 127.

Ottawa was also careful not to directly criticize the US in order not to jeopardize relations with its largest trading partner.[3]

Prime Minister Brian Mulroney's effort to influence domestic changes in South Africa was also more rhetoric than action. The economic sanctions that Mulroney threatened would have had little effect, as trade relations between the two countries were insignificant.[4] Also, the US and Britain did not support Canada's position, therefore, it would have been difficult for Canada to implement effective economic sanctions on South Africa.[5]

The Canadian government's rhetoric was a reaction to public pressure. An increase in public awareness in Canada put pressure on the Canadian government to do more in terms of bringing peace and stability to Central America and South Africa.[6] Many people fleeing from violence and oppression in Central America sought refuge in Canada.[7] They made their homes in Canadian cities creating communities that were informed and involved in promoting peace, social justice, democratic development, human rights protection, and stability. Canadians wanted their government to become more involved, as Liisa North stated: "We are convinced that the Canadian government can and should do more to assist

---

[3]Ibid., 113.

[4]Heribert Adam and Kogila Moodely, *Democratizing Southern Africa: Challenges for Canadian Policy*. (Ottawa: Canadian Institute for International Peace and Security, 1992) 38.

[5]James Barber, *The Uneasy Relationship: Britain and South Africa*. (London: Royal Institute of International Affairs, 1983) 86, 24.

[6]North, *Between War and Peace*, 25,49,51.

[7]Canada, "Supporting the Five: Canada and the Central American Peace Process." *The First Report of the House of Commons Special Committee on the Peace Process in Central America*, (July 5, 1988) 25.

Central Americans to construct more just and peaceful societies. Through such assistance Canada would in turn contribute to the creation of a more equitable and peaceful international system."[8]

Mexico and the NAFTA provided the Canadian government with the opportunity to live up to its rhetoric. Mexico is a country with an authoritarian government, social injustices, human rights violations, and environmental degradation. Canada had the opportunity to put human rights and democracy ahead of its economic self interest when negotiating the free trade agreement. The agreement could have been conditional on the basis of democratic change in Mexico. However, Canada opted to put such issues aside.

Ottawa argues that the free trade agreement is about trade and investments, and not about the domestic issues and problems of another country. When referring to Mexico, Ottawa argues that domestic issues are the domain of the sovereign state, therefore Canada has no business interfering. However, Canada has become involved in the domestic issues of other countries in the past, and continues to do so in the present. It is difficult to consider economics without considering domestic policy, as one affects the other.

---

[8]North, *Between War and Peace in Central America*, 17.

Canadian Foreign Policy in the 1980s

Ottawa's growing interest in human rights being an integral part of foreign policy was evident as "Prime Minister Mulroney and his secretaries of state for external affairs have been outspoken about Canada's objectives on the issue of human rights in terms of what Canada wants, of what actions it will tolerate, of what it is prepared to do about violations, and of what it is prepared to do to promote them."[9] However, despite Ottawa's rhetoric, Canada's human rights policy was shallow. It was careful not to jeopardize its trade and investment relations with other countries. With regard to Canadian aid, in situations where aid was cut off to a state in which human rights abuses were taking place, such as Surinam in 1983, and the Philippines in 1984, "in most such instances, however, lack of explicit condemnations of human rights abuses sent an ambiguous message to the states in question."[10] Canadian aid, also continued to pour into states where human rights abuses took place, such as Indonesia, Chile, China, and El Salvador where economic interests were strong. Thus, Ottawa's actions did not live up to its rhetoric.

The contradiction between Ottawa's statements about human rights issues and its actions could reflect Prime Minister's Mulroney's personal motivations as "personal diplomacy, at the prime ministerial level, took on a greater import during these years. While

---

[9]Kathleen E. Mahoney, "Human Rights and Canada's Foreign Policy", *International Journal* XLVII (1992) 557.

[10]T.A. Keenlyside, "Aiding Rights: Canada and the Advancement of Human Dignity", *Canadian International Development Assistance Policies: An Appraisal*, ed., Cranford Pratt (Montreal: McGill-Queens University Press, 1994) 242, 245,246.

taking a hands-off approach on the day-to-day management of foreign policy, both Trudeau and Mulroney showed themselves willing to intrude forcefully on particular questions,"[11] such as Mulroney's South African policy. Mulroney's "undue concern with status seeking" created a foreign policy that was inconsistent and full of contradictions.[12]

Central America

By the end of the 1970s a crisis was erupting in Central America. The repressive authoritarian and military regimes that ruled most of these countries created grave social, economic, and political conditions. The repressive regimes continuously violated human rights, and severe economic conditions created high levels of poverty and uneven development.[13] Popular unrest was emerging as living conditions were declining.[14] As a result, many revolutionary movements were beginning to emerge to overthrow their respective governments as "modernization had produced a new generation of better educated opposition leaders".[15]

Prior to 1980, the Canadian government was hesitant to become involved in the human rights issues, as Kim Richard Nossal states: "Canada's approach to human rights

---

[11]Andrew Cooper, *Canadian Foreign Policy: Old Habits and New Directions*, (Scarborough: Prentice-Hall Canada, 1997) 283.

[12]Ibid., 283.

[13]North, *Between War and Peace*, 23-29.

[14]Ibid., 35.

[15]Ibid., 35.

violations in general has been predicated on a belief that it is both improper and inappropriate to weaken the principle of national sovereignty by interfering in the internal affairs of other countries."[16] However, the situation in Central America was becoming one that Canada could not ignore. In 1982, the Department of External Affairs issued the *Final Report: Canada's Relations with Latin America and the Caribbean*. The Report called for Canada to become more involved in the region by paying attention to social and economic matters. It stated that: "We believe that Canada should pursue the goal of stability through the foreign policy purposes we outlined in our first Report, namely, human rights, trade and investment, development assistance and security."[17] It also stressed that the government should pursue a more active policy on human rights as: "The obligation to defend and promote these rights springs from the moral principle that people have innate value and that certain rights repose in them as human beings . . . Consequently, the discussion of human rights violations in any country does not constitute an infringement of state sovereignty."[18]

Canada's economic interests in Central America were not significant. However, it should not be assumed that because Canada had few economic interests in the region that the reason for its involvement was purely humanitarian. There were some significant economic interests in the region that were of concern to Canada. James Rochlin suggests that because

---

[16]Kim Richard Nossal, "Canadian Sanctions Against South Africa: Explaining the Mulroney Initiatives, 1985-86." *Journal of Canadian Studies*. (Vol.25, No.4, Winter 1990-91) 20.

[17]External Affairs and National Defence, "Final Report: Canada's Relations with Latin America and the Caribbean." (Ottawa: Issue No.78, 1982) 8.

[18]Ibid., 8.

approximately 40 percent of Canadian oil imports come from Central America, which border the region, Canada had an interest in maintaining stability in order to not disrupt its trade with these countries.[19] The 1985 foreign policy review, *Competitiveness and Security: Directions for Canada's International Relations*, also pointed out that: "Latin America was an increasingly important market for Canadian exports, that it was the second largest destination after the U.S. for Canadian investment capital, and that our banks had about 15 billion in outstanding loans to the region."[20] Although Canada placed an emphasis on human rights, democracy, and developmental assistance, there were also economic interests in the region that Canada felt it had to protect.

Canada objected to the increased militarization of the region as it was accomplishing nothing, but was always careful not directly to criticize the US. At the UN General Assembly in 1985, Canada stated: "We view the upheaval in Central America as primarily a function of chronic social and economic injustice, coupled with. . . frustration over the failure to institute. . . reforms to meet even the most basic popular expectations."[21] Canada did not regard an increase in violence as the way to achieve peace. Canada voted "in favour of the UN General Assembly resolution calling on the United States to comply with the June 1986 ruling of the International Court of Justice, which demanded the cessation of aid to the

---

[19]Rochlin, *Discovering the Americas*, 127.

[20]Ibid., 147.

[21]North, *Between War and Peace*, 26.

contras."[22] In another House of Commons Report in 1988, the government indicated that the increased militarization has only added to destabilization within the region.[23]

Despite US- funded militarization of the region, Canada continued to pour aid in and pursue peace through other means. The government believed that if violence was stopped then negotiations could begin. For the 1981-86 period aid tripled to $100 million and then doubled again during 1988-95.[24] In 1981, Canada cut off bilateral assistance to El Salvador and Guatemala because of increased human rights violations.[25] However, aid was renewed to El Salvador in 1984, and to Guatemala in 1987.[26] The government defended this decision by stating that: "marked improvement in the human rights situation and commitments by the democratically elected government to bring about substantial. . . reforms."[27] However, evidence points to "a continued pattern of gross human rights violations, military abuse and dominance, and a lack of capacity or willingness on the part of the recipient governments to pursue redistributive reforms or to open up the political process."[28] The controversy

---

[22]Ibid., 48.

[23]Canada, "Supporting the Five: Canada and the Central American Peace Process". *The First Report of the House of Commons Special Committee on the Peace Process in Central America.* (July 5, 1988) 4.

[24]Stevenson, *Canadian Foreign Policy Towards Latin America,* 5.

[25]Rochlin, *Discovering the Americas*, 126.

[26]North, *Between War and Peace in Central America*, 99.

[27]Rochlin, *Discovering the Americas*, 152; quoting: Canada, Department of External Affairs, Canadian Aid to Central America, May 1988.

[28]North, *Between War and Peace in Central America*, 102.

surrounding Canada's decision to renew aid is part of the confusing, and sometimes contradictory, policy it pursued in Central America.

Canada's aid policies have often been compared to the 'like-minded' states who shared similar views on the crisis in Central America. The like-minded group, consisting of Denmark, the Netherlands, Norway, Sweden, Australia, Austria, Belgium, Finland, France, Ireland, Italy, and Canada, generally considered the problem in Central America to be a political, social, and economic problem rather than part of the East/West conflict. Some members of the 'like-minded' group provided more assistance to the region than Canada did. Although Canada continued trading with Nicaragua at low levels, Spain, France, Denmark and Sweden "were been more generous with export credits and financing to Nicaragua than has Canada."[29] It was also argued that Sweden had more influence in the region than Canada, as it targeted its aid policies toward Nicaragua rather than throughout the entire region.[30] Canada appeared to have an active policy towards Central America, however the performance of other like-minded countries indicates that Canada's policies were somewhat restrained.

Canada contributed to the peace process in Central America by opening up its refugee policy. Initially, Canada took in those fleeing from the turmoil in Central America. Between 1982 and 1987 a total of 20,935 refugees were admitted to Canada.[31] The government also

---

[29]Jonathan Lemco, *Canada and the Crisis in Central America*, (New York: Praeger Pub.,1991) 58.

[30]Ibid., 80.

[31]Canada. "Supporting the Five." 25.

assisted the Central American work of the UN High Commission for Refugees and the International Committee of the Red Cross.[32] However, in 1988, the government changed its laws following changes in US immigration policies that would have caused a massive influx of refugees to Canada.[33] Despite public criticisms, the government passed Bill C-55 which "allows for the automatic removal of any Central American refugee who has arrived in Canada via a supposedly "safe" third country;" and Bill C-84 which allowed for the detention of people who do not have proper documentation until their identities are established.[34] As Liisa North points out, "Many Central America refugees flee their countries without proper documentation, because it is too dangerous to obtain papers before leaving."[35] Changes in Canada's refugee policy indicates that although Canada was concerned about human rights in Central America, it was not prepared to fully dedicate itself to these principles. And although public pressure played an important part in shaping foreign policy, it was unable to influence the changes that the government made to its refugee policy.

Canada's positive influence on the peace process in Central America is illustrated by its activities in the countries' elections and its participation in various regional organizations. Canada sent election observers to El Salvador, Guatemala, and Honduras. The Contadora Group, established in 1983, which consisted of Columbia, Mexico, Panama, and Venezuela,

---

[32]North, *Between War and Peace*, 51.

[33]Ibid., 51.

[34]Ibid., 159-160.

[35]Ibid., 160.

was supported by Canada. It is also interesting to note that the US was deliberately excluded as the "assumption was that each one of the countries was acting in its own national interest."[36] Canada offered assistance by participating in security verification planning and peacekeeping operations.[37] Contadora "recognized that peace involved not only stopping the shooting wars but also moving towards national reconciliation, regional co-operation, arms control and disarmament, and a dramatic decrease in foreign military involvement."[38] Canada also backed the Esquipulas II Agreement[39] as stated in the 1988 House of Commons Report. The Agreement consisted of twenty-two specific commitments in five categories which included political, security, refugee, development and verification, and follow-up.[40] Esquipulas II was signed in 1987 by the five Central American countries and was a sign that these countries would lead the peace process.[41] In 1989 Canada also participated in the UN Observer Groups in Central America to monitor compliance of the accord's security clauses.[42]

---

[36]Canada, "Supporting the Five", 7.

[37]Stevenson, *Canadian Foreign Policy Towards Latin America*, 6.

[38]North, *Between War and Peace*, 177-8.

[39]This agreement was also known in Canada as the 'Arias Plan'.

[40]Canada, "Supporting the Five", 9.

[41]Rochlin, *Discovering the Americas*, 158.

[42]North, *Between War and Peace*, 49.

Canadian foreign policy in Central America was confusing and often contradictory due to both domestic pressures and external constraints. Public awareness of the crisis in Central America was significant given the high numbers of refugees in Canada, and the interest groups, church organizations, and NGOs working in the region. By 1987 there were sixty-two voluntary organizations working in the region.[43] A Gallup poll, conducted in the summer of 1984, indicated that Canadians opposed US policy in the region by a two-to-one margin[44] and that over two-thirds of Canadians believed that Canada should have an independent foreign policy from the US.[45] Canadians wanted an overall foreign policy that backed an " "activist foreign policy"; a rejection of "Cold War diagnoses" and of increased defence spending; "maximum support for working with international organizations"; and growing belief in the appropriateness of considering human rights records when formulating foreign policy."[46] Domestic groups were important sources of criticism as they provided information, suggestions, and competing perspectives. They tried to pressure the government to take a more radical position in terms of promoting peace, however, the government was constrained by other considerations.

Canada's foreign policy in Central America was also constrained by the US. The US believed that the Cental American crisis was a legitimate American security concern, and that

---

[43]Canada, "Supporting the Five", 25.

[44]North, *Between War and Peace*, 51, (Gallup poll, summer 1984).

[45]Ibid., 51. (Gov't commission poll in 1985)

[46]North. 51.

Canada should recognize this. This external constraint can be used to explain why Canada's policies were sometimes confusing. Direct opposition to US policy in Central America by the Canadian government would have caused friction. Canada was not prepared to disrupt its relationship with its largest trading partner. Although the 1988 Report denounced US actions in Central America, Canada, limited its public criticism of Washington's policies. The Mulroney government was, at that moment, pursuing a free trade agreement with the US, and presumably feared that friction with the US might have have jeopardized the negotiations. Although we can see an increase in importance of human rights and development assistance during the 1980s, it was not given as much priority as it could have been given due to trade and economic constraints.

Domestic sources pressured the government to pursue a policy that was independent from the US, however, at the same time Ottawa's options were constrained by the US. James Rochlin stated that: "when officials met to concoct policy on Central America, they consulted two groups of experts - one group which specialized in Canada's bilateral relations with Central American states, and another group whose expertise was U.S. strategic interests in the Western Hemisphere."[47] The Canadian government did manage to pursue policies that were different from the US, when Canada continued trading with the Sandinistas after

---

[47]Rochlin, *Discovering the Americas*, 113. (Interview, David Bickford, Dept. of External Affairs, Caribbean and Central American Bureau, Nicaraguan Desk, Ottawa, 29 May 1985.)

Reagan's trade embargo in 1985 against Nicaragua.[48] However, Canadian foreign policy continued on a path that did not jeopardize its economic and trade relations with the US.

South Africa

The Mulroney government responded to the apartheid policies of the white minority South African government by implementing partial economic sanctions. It was a reaction to the increase in violence and riots as the black majority pressed for an end to the minority white rule. The Mulroney government's foreign policy toward South Africa suggests that human rights and democracy issues were becoming an integral part of Canadian foreign policy. In 1985 at the UN General Assembly meeting Mulroney threatened to impose total sanctions if the South African government did not change: "Canada is ready, if there are no fundamental changes in South Africa, to invoke total sanctions against that country and its repressive regime. More than that, if there is no progress in the dismantling of apartheid, relations with South Africa may have to be severed absolutely."[49]

Despite the Canadian government's rhetoric, trade sanctions had little effect and total sanctions were never implemented. Trade between the two countries was never substantial. Trade with South Africa had been approximately 0.5 percent of Canadian total imports and

---

[48]Ibid., 6.

[49]Andrew Clark, *Mosaic or Patchwork? Canadian Policy toward sub-Saharan Africa in the 1980's*, (Ottawa: North South Institute, 1991) 46.

less of exports, and direct investment has been approximately 0.1 percent since the 1960s.[50] "During the sanctions period from October 1986 to September 1993, Canada's real two-way trade with South Africa remained substantial: amounting to $1.6 billion, or 44 percent of the comparable period before sanctions (1979-85), and this in a period of stagnant or negative growth in South Africa."[51] The trade sanctions had little effect as "most of the financial sanctions were voluntary, and Commonwealth commitments were twisted to allow Canadian speciality steel manufacturers to import ferro-alloys from South Africa. [And] Sulphur, the most important Canadian export, indeed the only Canadian export with a potential to affect South Africa negatively, was exempt from sanctions entirely."[52]

The Mulroney's government's actions failed to live up to its rhetoric. Mulroney became too involved with domestic issues such as the 1988 federal elections and the free trade agreement with the US.[53] The economic sanctions were limited in nature and had little effect, however they had symbolic significance as it was the first time, "the government had prohibited trade in private goods with the Republic. It marked the most significant change in Canada's South African policy in years."[54] It is also apparent that Canada attempted to

---

[50]Adam and Moodley. *Democratizing Southern Africa*, 38.

[51]Linda Freeman. *The Ambiguous Champion: Canada and South Africa in the Trudeau and Mulroney Years*. (Toronto: University of Toronto Press, 1997) 261.

[52]Ibid., 298.

[53] Ian Cameron. "Canada, the Commonwealth and South Africa: National Foreign Policy-Making in a Multilateral Environment." *Millennium* 18, no.2 (1989) 222.

[54]Ibid., 205.

pursue a policy that was independent. Britain refused to support economic sanctions on South Africa as Margaret Thatcher had no intentions of breaking economic ties.[55] The US government also did not want to break economic ties, as Dr. Chester Croker, the Assistant Secretary of State for African Affairs, stated: that the US "had no intentions of destabilizing South Africa in order to curry favour elsewhere. Neither will we align ourselves with apartheid policies that are abhorrent to our own multiracial democracy."[56] Despite the Mulroney government's attempts to influence domestic policy in South Africa, it quickly abandoned this project.

Mexico and NAFTA

The globalization of production, the increasing presence of transnational corporations, the move towards regional trade blocks in the world economy, and the increasing threat of US protectionism, motivated the Mulroney government to further economic integration by entering into a free trade agreement with the US and Mexico. Canadian foreign policy rhetoric also began to change as "the prospect of a bilateral free trade agreement between the United States and Mexico, have led the Canadian government to more clearly express its viewpoint regarding North American economic integration and

---

[55]James Barber, *The Uneasy Relationship: Britain and South Africa.* (London: Royal Institute of International Affairs, 1983) 86.

[56]Ibid., as cited by Barber, 24.

the development of relations with Mexico."[57] During the negotiations for the NAFTA it was clear foreign policy was guided by economic self-interest.

The decline in public pressure after the end of the crisis in Central America and at the beginning of the NAFTA negotiations also affected the Canadian government's human rights policy as the government no longer had to respond to the pressure. This change could have been a result of "a shift in Canadian values away from liberal internationalism and towards narrow preoccupation with immediate national self-interest."[58] National economic self-interest has preoccupied Canadians as they realized the potential benefits to an increase in international trade.[59] Also, a change in public support for a social safety net "is clearly no longer as universal as it once was, nor is it identified as frequently as a valued and distinctive feature of Canadian society. As Canadian society becomes less caring towards its own poor, it is likely that it is also becoming less concerned about those beyond its borders."[60] Another element to the decline of public pressure could be linked to the "erosion of Canada's sense of national identity and the apparent inability of Canadians to resolve their constitutional

---

[57]Mace and Goulet, "Canada in the Americas: Assessing Ottawa's Behaviour", 147.

[58]Cranford Pratt, ed., "Human Internationalism and Canadian Development Assistance Policies", *Canadian International Development Assistance Policies: An Appraisal* (Montreal: McGill-Queens University Press, 1994) 337.

[59]Ibid., 337.

[60] Ibid., 336.

crisis may well lessen the nation's capacity and inclination to play a prominent role as liberal, internationalist middle power."[61]

Many opponents of NAFTA criticized the lack of democracy and respect for human rights in Mexico. Ottawa showed little concern for these issues as its only interest was not being left out of negotiations on further regional economic integration.[62] This shift in policy has been carried through into the 1990s with Canada's push for further economic integration and the bilateral free trade agreement with Chile.

Initially, Mexico approached the US and proposed a bi-lateral free trade agreement between the two countries. Mexico believed that it needed to secure its position within the world economy as Europe was no longer a viable option.[63] It also felt economically threatened by being excluded from CUSFTA.[64] A bilateral free trade agreement between Mexico and the US would have given American businesses a greater advantage because they would have taken advantage of all three markets, while Canada and Mexico would only have had access to two. As a result, the Canadian government decided to become part of the negotiations since it did not want a 'hub and spoke' arrangement in the Americas. As Edgar Dosman states: "Productive investments and trade are thus controlled by the "hub," because

---

[61] Ibid., 336.

[62]Edgar Dosman, "Introduction: The New Era in Canadian -Latin American Relations", *Beyond Mexico.* ed. Jean Daudelin and Edgar Dosman. (Ottawa: Carleton University Press, 1995) 3.

[63]Ibid., 3.

[64]Ibid., 3.

it offers the widest trade opportunities."[65] Neither Canada nor Mexico wanted US businesses to yield that much power.

Canada's position on Mexico wanting to be part of the free trade agreement was therefore reactive and defensive rather than active. Canada has never had close ties with Mexico, however both do share the US as a neighbour. Canadian-Mexican trade has not been significant. "Canada's exports to Mexico represent less than 1 percent of Canada's total export market during the late 1980s and early 1990s, and their level actually declined from $638 million in 1989, to $608 million in 1990, and to $460 million in 1991... and Canadian direct investment in Mexico decreased from $207 million in 1986 to $175 million in 1990."[66] Both Canada and Mexico were in a vulnerable position as the majority of their trade is with the US and with the increase of regional trading blocks that tend to be exclusionary they needed to secure access to US markets. Both countries had an interest in establishing a rules-based trading system with the US as it would create a more stable trading system and would have protected both economies from the agressive trading policies for which the US is known.

Canada's sudden interest in Mexico as part of the NAFTA illustrates a change in rhetoric as it focused on the importance of trade and investment. Canada's interest in Mexico was based on Ottawa's concerns about the US becoming the 'hub'. Little attention was given to Mexico's questionable democratic credentials. Ottawa argued that addressing

---

[65] Ibid., 5.

[66] Rochlin, *Discovering the Americas*, 172.

such an issue between trading partners is difficult because domestic policy has traditionally not been part of trade policy. However, Canada's rhetoric towards South Africa in the 1980s illustrates that it was willing to put human rights above trade as it threatened to impose economic sanctions against the country unless it changed its domestic policy on apartheid.

Ottawa's lack of interest in democracy and human rights was clearly demonstrated during the negotiations of the NAFTA, as many opponents argued that greater emphasis should be placed on these issues. The majority of opposition to the NAFTA came from the pro-democracy movement in Mexico; those in the US who thought that it was the US government's responsibility to promote democracy and human rights; and the US labour organization, the American Federation of Labor-Congress of Industrial Organizations (AFL-CIO). It was only after the AFL-CIO started criticizing the agreement that Canadian labour organizations and leftist organizations became involved. Within Mexico, opposition to the NAFTA came from those sectors of society that felt that the free trade agreement would benefit the ruling oligarchy and big business, which would lead to the "strengthening of an "authoritarian democracy," uninterested in the environment and workers' rights."[67] Opponents to NAFTA wanted the negotiations to be conditioned on the complete democratization of the political system.[68] They feared that economic liberalization would not translate into political liberalization.

---

[67]Edgar Dosman, "Canadian-Mexican Relations." *Beyond Mexico*. ed. Jean Daudelin and Edgar Dosman. (Ottawa: Carleton University Press, 1995) 95.

[68]M. Delal Baer and Sidney Weintraub, eds., "The Pressures for Political Reform in Mexico" *The NAFTA Debate: Grappling with Unconventional Trade Issues*. (Boulder: Lynne Rienner Pub.,1994) 177.

Within the US, some critics argued that it was America's responsibility to promote democracy and respect for human rights and that the free trade agreement should have been based on those criteria. U.S. Senator Ernest Hollings argued that democracy should be put first "and rewards democratic progress with economic and trade privileges. . ."[69] Although the ALF-CIO was concerned about the effects of NAFTA on US jobs, it also claimed that the treaty would force them to work at substandard wages; that it would "turn all of Mexico into a giant maquiladora that would contribute little to industrialization, technological growth, or international competitiveness"; and that Mexican workers have few rights and a "limited social safety net on which to fall back."[70] Opponents to NAFTA wanted democratization to occur before economic liberalization.

The shift in Canadian foreign and trade policy can be attributed to the changes in the global system. These changes left the Canadian economy in a vulnerable position due to Canada's dependency on trade and US markets. As Edgar Dosman states: " International trade policy is a game of very high stakes for Canada. Not only is the country much more trade-dependent than the US (27 percent versus 11 percent of GDP), but a 70.37 percent concentration of trade with the US increases its vulnerability still further."[71]

---

[69]Ernest F. Hollings. "Reform Mexico First." *Foreign Policy*, no.93 (1993-94) 92.

[70]Howard J. Wiarda. "The U.S. Domestic Politics of the U.S.-Mexico Free Trade Agreement." *The NAFTA Debate*. ed. M. Delal Baer and Sidney Weintraub. (Boulder: L. Rienner Pub., 1993) 124-125.

[71]Dosman, "Introduction: The New Era in Canada-Latin American Relations", 3.

Conclusion

Investigating Canadian foreign policy in the 1980s reveals a disjunction between Ottawa's human rights rhetoric and its actions. Ottawa's actions illustrate that Canadian foreign policy was guided by the principles of self interest in order to protect economic and trade interests. The fuel behind the Canadian government's rhetoric in the 1980s was societal pressure and Prime Minister Mulroney's personal attempts to address international issues that were of personal interest to him. The result was a confusing and often contradictory foreign policy.

The presence of communities in Canadian cities of refugees from Central America; the activities of Canadian non-governmental organizations in South Africa and Central America; and media coverage of outbreaks of violence in both regions, provoked the Canadian government to react to the public's demands. The result was an increase in rhetoric and official government statements claiming that human rights and democratic issues would be given a higher priority than economic and trade interests. Although Canada did attempt to contribute to the promotion of peace and stability (especially in Central America), Ottawa would only go so far.

Ottawa's limited pursuit of democracy and respect for human rights promotion was also evident in policies toward China. Ottawa imposed economic sanctions on China after the 1989 massacre in Tiananmen Square. As T.A. Keenlyside points out: "In reality, however, the aid sanctions imposed on China, like the other initiatives taken at the same

time, were symbolic rather than substantive."[72] The economic sanctions were not substantial enough to have any affect on China.[73] And, as in policies toward South Africa and Central America, Ottawa's rhetoric was influenced by "intense media focus on China, lobbying by concerned groups, parliamentary preoccupation with the situation, ministerial attention to China, and actions by other states."[74] In the end, China was Canada's second largest aid recipient for 1990-91 and in 1992 was Canada's fifth largest export market.[75] Canada therefore is continuing relations with a country that is authoritarian and repressive.

In the 1990s Canada has pursued the promotion of democratic development, human rights, good governance, and environmental protection through its activities in various organizations in Latin America, such as the OAS which it officially joined in 1990. Within the OAS, "Canada launched an activist programme, working within various committees such as the Inter-American Commission on Human Rights, the Inter-American Drug Abuse Control Commission, the Inter-American Commission of Women, and helping to monitor elections in Nicaragua, Haiti, and elsewhere."[76] Canada was also one of the main supporters for a Unit for the Promotion of Democracy which was "envisioned broadly to promote and reinforce democratic institutions in the hemisphere, to help in the monitoring of elections and

---

[72]Keenlyside, "Aiding Rights: Canada and the Advancement of Human Dignity", 257.

[73]Ibid., 257.

[74]Ibid., 258.

[75]Ibid., 257.

[76]David Mackenzie. "Canada in the Organization of American States: The First Five Years." *Behind the Headlines*. (Ottawa: Canadian Institute of International Affairs, 1994) 5.

to give practical training to men and women at both the grass-roots and official levels."[77] However, "while willing to restate the government's commitment to human rights and the prevention of drug abuse, relatively little progress had been made beyond the committee stage."[78] This reveals that such pursuits take place with the boundaries of self-interest as Canada's interest in Latin America is a response to necessity as " these initiatives still hark back to the political emphasis of the 1980s, they [also] display the dominant character of Canada's Latin American policy in the 1990s: the lack of control the government seems to have over its own growing agenda in the region."[79]

Trade and investment interests in Latin America are given high priority in Canadian foreign policy due to Ottawa's desire to expand economic integration in the Americas. As the global economy moves toward the formation of exclusionary trade blocs Canada seeks to secure markets and trade relations. Political and economic changes in Latin America have facilitated an increase in trade relations and provided opportunities for foreign investment. In advancing its economic agenda, Ottawa has minimized the importance of democratic development and protection for human rights. It is necessary to address democratic development, good governance, respect for the rule of law, protection of human rights, and environmental protection as they are all necessary elements for future development and

---

[77]Ibid., 5.

[78]Ibid., 5.

[79]Jean Daudelin. "The Politics of Oligarchy: 'Democracy' and Canada's Recent Conversion to Latin America." *Canada Among Nations 1995: Democracy and Foreign Policy*. ed. Maxwell Cameron and Maureen Molot. (Ottawa: Carleton University Press, 1995) 149-151.

prosperity. It is in Canada's best long term interests to support development in all areas in order to maximize future prosperity and growth.

Chapter 3

Chile

Introduction

This chapter takes a brief look at Chilean history, the military coup, Pinochet's economic recovery policies, the 1989 plebiscite, and Chile's transition to democracy. Authoritarian hold-overs from the Pinochet government still remain. For Chile to fully consolidate democracy it is essential to remove these vestiges of dictatorship. This chapter further suggests why it is important for Canada to consider the issues surrounding Chile's democratization.

Between 1932 and 1973 Chile was a restricted democracy in that it was dominated by the upper class. Political parties were highly divided ideologically between the right, centre and left, thus creating opposing social movements. As long as its interests were not threatened, the upper class tolerated opposition from the left. This tolerance began to wane during Eduardo Frei's 1964-1970 administration as he attempted to complete formal democratization (i.e. universal suffrage) which jeopardized the interests of the business and corporate sector. The right's patience ended during Salvador Allende's 1970-1973 administration as he sought a peaceful transition to socialism. As a result, a military coup took place in 1973.

Historically, Canada's trade and political relations with Chile were insignificant and therefore Ottawa did not become involved with Chile's domestic politics. Although Canada

accepted a number of refugees during the Pinochet era, it did not seek to change the dictatorship's policies, thus acting quite differently from the "like-minded states" (for example, Sweden) that tried to bring pressure on Pinochet. During the mid-1980s the Chilean economy began to improve dramatically and Canadian trade with Chile slowly increased. Domestic opposition to the military regime began to emerge during this period as Pinochet's economic policies had a negative effect on society. In 1988 a plebiscite voted not to extend Pinochet's mandate and Chile's return to democracy was underway.

Despite an increase in trade and economic relations with Chile, Canada still remains aloof from Chile's domestic affairs. Authoritarian hold-overs from the Pinochet regime are still in place, affecting the civilian government's ability to implement the necessary reforms for democratic development. The Canadian government's policy suggests that Ottawa does not want to address political or social issues in Chile, because it does not want to antagonize business and corporate interests.

History

Prior to the Frei administration in 1964, Chile had a relatively stable democratic system with a growing ideological division between the right, centre, and left. However, democratic stability was dependent on the hacienda system. Large estates, or 'haciendas', controlled most of the agricultural output and the wealthy owners expected the government to protect their interests. For the landowners to maintain their dominance over the rural workers, the hacienda system had to be maintained 'through the prevention of rural

unionization and the exclusion of outside political influences."[1] In fact, rural unionization was illegal and any labour conflicts were met with repression that was justified in terms of ensuring democratic stability. Chile's elites tolerated opposition as long as it did not threaten their interests. As a result, the left and the working class became increasingly frustrated and the party system became highly polarized ideologically.

A threat to the maintenance of the hacienda system came in 1958 when the electoral system was reformed. An Australian ballot was introduced which was a single official ballot and penalties would be incurred for fraud and bribery. Previously, landowners would control votes by distributing party ballots and monitoring workers to ensure they voted 'correctly'.[2] After the electoral reforms, rural workers were free to vote how they wanted. This threatened the upper class, as it meant that the parties on the right would lose power and those on the centre and left would gain congressional seats. In fact, precisely this happened in the 1961 congressional elections when the right won less than one-third of the seats in Congress for the first time in the twentieth century.[3]

The election of Christian Democrat Eduardo Frei (the father of current president Eduardo Frei) in 1964 was a turning point for the stability of Chilean democracy. Frei, who attempted to complete Chile's democracy through agrarian reform and rural unionization,

---

[1]Brian Loveman, *Chile: The Legacy of Hispanic Capitalism*. (New York: Oxford University Press, 1979) 257.

[2]Ibid., 293.

[3]Ibid., 297.

gained support of rural workers, as well as the US, who pressured the Chilean government for land reforms. Land would be redistributed to create 100,000 new proprietors among the landless peasants.[4] However, only 30,000 were created because the government faced difficulties in its implementation.[5] The Frei government believed that in order to increase agricultural production, the workers had to be involved in the political process.[6] Mobilization and unionization of rural workers resulted in an increase in the number of workers belonging to unions. In 1964, 2,000 agricultural workers belonged to unions, and by 1970 there were 114,000 which accounted for more than 30 percent of agricultural workers.[7] The mobilization of rural workers angered the right, because it threatened their political and economic power.

The Frei government greatly altered Chilean politics as labour, the poor, and other members of the left's constituency were given access to the political system which increased their political influence. The right and the upper class no longer controlled government which had traditionally favoured their interests. Besides angering the right, this new situation also created problems for the Frei government as: "during its last three years of the Frei government, the number of strikes increased from 1,100 in 1968 to 1,800 in 1970, while

---

[4]Julio Faundex, *Marxism and Democracy in Chile: From 1932 to the Fall of Allende.* (London: Yale University Press, 1988) 143.

[5]Ibid., 143.

[6]Ibid, 143.

[7]Ibid., 144.

the number of workers involved in strike activity increase from 300,000 to 656,000."[8] The result was a dramatic change in Chilean politics,

> The reformist legislation of the Frei years and the massive organizational drive encouraged by the Christian Democratic administration provided substantial leverage for further fundamental reforms in Chilean society. In this sense the Christian Democrats definitively destroyed the cornerstone of Chilean formal democracy as it had functioned since 1932, without providing anything but the vaguely conceived notion of a "communitarian" society to replace it.[9]

The Chilean political system had been seriously divided ideologically; however, the policies of the Frei government created a wider gap between the left and the right. This is exemplified in the next election results as the left's (Unidad Popular) candidate, Salvador Allende, won based on his campaign for a peaceful transition to socialism.

Historically, Canada's relations with Chile were limited. Indeed, Chile once even asked the US to pressure Canada to extend it diplomatic recognition in view of Canada's recognition of Argentina and Brazil.[10] It was not until 1941 that Ottawa established diplomatic relations with Chile.[11] Also, Canada-Chile trade was insignificant despite the efforts of two trade missions in 1941 and 1968.[12]

---

[8]Ibid., 152.

[9]Loveman, *Chile: The Legacy of Hispanic Capitalism*, 325.

[10]Janice Paskey and Roberto Duran Sepulveda, *Unlikely Allies: Canada-Chile Relations in the 1990s.* (Ottawa: FOCAL, 1996.) 8.

[11]Ibid., 8.

[12]Ibid., 8.

The election of Salvador Allende in 1970 brought dramatic change to Chilean politics, because it indirectly led to the end of Chilean democracy. Allende believed that through radical, though peaceful, legal and democratic reforms Chile could be transformed into a socialist state with an equitable distribution of wealth and resources. "As a Marxist Allende believed that the proletariat would continue to be exploited as long as it was denied control over the means of production."[13] Allende proposed a 'peaceful transition to socialism' which included reforms to political institutions; reorganization of the judiciary and the educational system; and expanding the public sector of the economy by expropriating agricultural estates and nationalizing the financial system.[14] Allende also nationalized some of the largest copper mines but "denied compensation because, according to Popular Unity officials, they were guilty of extracting excess profits and therefore had already taken their compensation."[15]

Allende's reforms were met with opposition domestically and internationally. Domestically, the right and the upper class were threatened. They were outraged by the expropriation of agricultural lands and the expropriation of key businesses in order to create an expanded public sector. The dissatisfaction of the upper class created economic problems as "domestic investment declined by 5 percent as private firms responded negatively to the

---

[13]Gary W. Wynia, *The Politics of Latin American Development, 2nd ed.* (Cambridge: Cambridge University Press, 1984) 182.

[14]Loveman, *Chile: The Legacy of Hispanic Capitalism*, 329.

[15]Wynia, *The Politics of Latin American Development*, 182.

threat of expropriation."[16] The floundering economy also created opposition from the poor as poverty levels were climbing: "By mid-1973 the annual rate of inflation exceeded 300 percent and reduced the real income of workers and salaried employees to levels below those of late 1970 when the UP had taken office."[17] An increase in strikes, protests, and civil unrest in 1973 "elicited a call by the majority opposition in the Chilean Congress for the military to intervene to guarantee institutional stability."[18]

Allende's peaceful transition to socialism was also met with opposition from Washington and its allies. Allende's ties with the Soviet Union, Eastern Europe, and Cuba created fears that the Soviet Union was penetrating the US sphere of influence in the Americas. The US, therefore, by means "both covert and diplomatic, sought to disrupt the Chilean economy, to cut off or stifle credit from international lending agencies, to provide financial and moral support for the regime's opponents - and to maintain friendly relations with the Chilean military."[19] Also, multinational companies with investments in Chile were hit as Allende nationalized key industries. Canadian economic interests in Chile included: CP Air, Bata, Noranda, Atlas Explorations, and Hindrichs Mining.[20] One of Bata's companies was thought to be occupied by 'left-wing extremists' by the Department of

---

[16]Ibid., 184.

[17]Loveman, *Chile: The Legacy of Hispanic Capitalism*, 336.

[18]Ibid., 345.

[19]Ibid., 334.

[20]Rochlin, *Discovering the Americas*, 86.

External Affairs.[21] This concerned Canadian investors who feared their companies would be expropriated. As a result of the growing economic and political chaos in Chile, the Export Development Corporation refused to finance Canadian exports to the country.[22]

Despite the Canadian government's positive relatioms with Cuba and other democratic and non-democratic socialist governments, Ottawa was not prepared to support Allende. First, Ottawa did not believe that a crisis was going to erupt in Chile. In fact, just five days before the coup, a telex from the Canadian Ambassador in Chile, Andrew Ross, declared that the violence was a continuing crisis, but manageable.[23] Secondly, Secretary of State for External Affairs, Minister Mitchell Sharp believed that Allende was incompetent and "the cause of his own problems. We did not have anything against him, but this is what we felt at the time, right or wrong."[24]

The lack of support both internationally and domestically, the floundering economy, and the growing social unrest, created the conditions for a military coup which ended constitutional democracy in Chile. The military coup began on September 11, 1973 with an attack on the presidential palace. Within a few days the junta dissolved Congress, suspended the constitution, declared political parties illegal, and proclaimed 'a state of internal war' in the country. Although the opposition called on the military to intervene in order to maintain

---

[21]Ibid., 86.

[22]Ibid., 86.

[23]Stevenson, *Canadian Foreign Policy Towards Latin America*, 208.

[24]Ibid., 211.

stability, "most Chileans did not really believe that a military putsch would occur."[25] Widespread repression, torture, disappearances, and murder became common in Chile. Pinochet defended the coup and "the government's repressive measures by alleging that the Allende coalition had a plot (*plan zeta*) to murder military and civilian opposition leaders in order to impose communism definitively upon Chile."[26] The military government believed that Chile had been saved from communism and set out to transform the state.

The military coup in Chile received mixed reactions from other countries. The US immediately recognized the junta, as the US had covertly supported the military's efforts. Sweden believed that the Allende government was "an equity-oriented and popular regime, whereas the military regime that followed was not considered legitimate or desirable."[27] The Canadian government withheld recognition of the military junta for two weeks, but finally granted recognition for a number of reasons. The Trudeau government had recently recognized the People's Republic of China; it argued that "it was established policy especially in light of the Chinese case, to recognize governments which were in control of the territory without implying an acceptance or approval of the type of regime"; other

---

[25]Loveman, *Chile: The Legacy of Hispanic Capitalism*, 349.

[26]Ibid., 350.

[27]Susan Holmberg, "Welfare Abroad: Swedish Development Assistance." *The Committed Neutral: Sweden's Foreign Policy*. ed. Bengt Sundelius. (Boulder: Westview Press, 1989) 123.

military governments in Latin America were recognized by Ottawa; and there was a lack of sympathy for the Allende government in Ottawa.[28]

High levels of repression forced many Chileans to flee the country. Intense lobbying by domestic groups pressured the Canadian government to accept these refugees. Pressure came from Canadian interest groups, "including the Inter-Church Committee for Human Rights, the Canadian Labour Congress, the Chile-Canada Solidary Committee, the Canadian Association of University Teachers, and the Association of Colleges and Universities of Canada."[29] Church organizations across Canada established the Inter-Church Ad-Hoc Committee on Chile in September and October of 1973, which was renamed the Inter-Church Committee on Human Rights in Latin America.[30] The churches sent fact-finding missions to Chile that reported gross human rights violations. Eventually these reports convinced the government to accept more refugees.[31]

Initially, the Canadian government was slow to react to requests by Chileans for asylum. The Canadian embassy in Santiago accepted only seventeen refugees immediately after the coup because of the Canadian ambassador's hostility toward the Chilean left, who he called the "riffraff" of Latin America.[32] However, with increasing domestic pressure, the

---

[28]Stevenson, *Canadian Foreign Policy Towards Latin America*, 212.

[29]Rochlin, *Discovering the Americas*, 103.

[30]Stevenson, *Canadian Foreign Policy Toward Latin America*, 315, 327.

[31]Ibid., 316.

[32]Rochlin, *Discovering the Americas*, 103.

government accepted a total of 7,000 refugees by 1978. As a result, Canada became the largest provider of asylum for Chilean refugees in the world.[33] Despite this, Ottawa developed a hands-off policy toward Chile between 1973 and 1988.

Pinochet's Economic Reforms

The Pinochet government believed Chile's economic decline in previous years was a result of state intervention in the economy and Allende's socialist policies. As a result, Pinochet set out to transform Chile into a capitalist, neo-liberal economy. A group of economists known as the 'Chicago Boys' (because of their education at the University of Chicago) were employed by the government. They believed that: "opening the economy to the rest of the world would result in a reallocation of resources toward those sectors in which Chile had a comparative advantage, increased efficiency, rising exports, higher employment over the longer run, faster growth and an improved income distribution."[34] Two phases of the economic transformation took place, each with a major recession. The first phase entailed a complete structural transformation with emphasis on an open economy, reduced state intervention, and liberalization of trade. Reforms during this period included:

> a commercial opening through the wholesale reduction of high tariff barriers. Second, state controls, especially in strategic markets (such as the financial market) were

---

[33]Ibid., 109.

[34]Sebastian Edwards and Alejandra Cox Edwards. *Monetarism and Liberalization: The Chilean Experiment.* (Cambridge: Ballinger Publishing Company, 1987) 110.

> dismantled. Third, the first wave of privatization, which affected profitable public companies, got under way.[35]

The first phase of transformation in the economy resulted in a recession in 1974-75 and another in 1981-82. Tariff cuts caused imports to rise, exports to fall and unemployment to grow.[36]

After the 1982 recession, the second phase of the economic transformation took place, which put greater emphasis on an export-based economy. During this recovery there was further privatization and an important shift in policy that "involved the decision to impose tight state regulation on 'strategic markets' (interest rates, exchange rates, minimum wages, agricultural prices, and public tariffs) in order to stimulate a structural modification of relative prices that would favour an export economy."[37] Table 3.1 demonstrates the success of the economy as the gross domestic product and the gross national product recovered quickly after the 1982 recession.

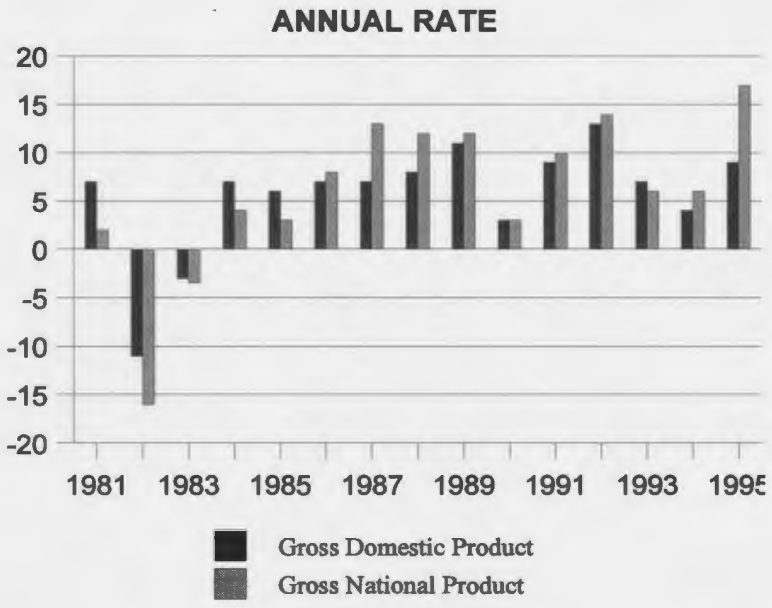
---

[35]Javier Martinez and Alvaro Diaz. *Chile: The Great Transformation.* (Washington: The Brookings Institute, 1996) 48.

[36]Ibid., 48.

[37]Ibid., 48.

Table 3.1
Annual Rate of GDP and GNP in Chile[38]



Source: ECLAC, on the basis of official figures.

Table 3.2 looks at trade figures for selected years. Exports and imports grew in the late 1970s, but dropped slightly during the 1981-82 recession. During the second phase of economic reforms, exports and imports began to increase, reaching $ US 8.1 and 7.1 billion, respectively at the end of the Pinochet regime in 1989. Exports, as a percent of GDP, rose from 20.4 in 1974 to 32.0 in 1989.

---

[38]United Nations, *Economic Survey of Latin America and the Caribbean, 1995-1996.* (Chile: United Nations, 1996) 162.

Table 3.2
Integration into the World Economy[39]
Integration into the World Economy, Selected Years, 1974-1995

Indicator	1974	1977	1980	1983	1986	1989	1992	1995
Exports (billions of U.S. dollars)	2.2	2.2	4.7	3.8	4.2	8.1	10.0	16.0
Imports (billions of U.S. dollars)	2.4	2.2	5.5	3.2	3.4	7.1	12.0	16.0
Exports as percent of GDP	20.4	20.6	22.8	24.0	30.6	32.0	35.9	37.3
Number of exporters	200	250	800	500	1,800	3,465	5,416	6,000
Exports and imports as percent of GDP	43.3	40.9	49.3	43.9	55.7	60.3	78.8	74.7
Average nominal tariff (percent)	75.0	22.0	10.0	18.0	20.0	15.0	11.0	11.0
Index of nominal tariffs (1974=100)	100.0	29.3	13.3	24.0	26.7	20.0	14.7	14.7
Real exchange rate (1974=100)	100.0	92.4	87.6	103.7	147.4	157.0	141.0	128.6
Foreign debt (billions of U.S. dollars)	4.0	5.3	10.9	17.2	20.0	16.3	18.2	21.2
Foreign debt ratio to exports	1.9	2.4	2.3	4.5	4.8	2.0	1.8	1.3

Source: Central Bank of Chile

[39]Martinez and Diaz, *Chile: The Great Transformation*, 52.

The government's economic reforms caused great hardships on society as they required that social expenditures be cut. As a result, poverty and unemployment rose, and real wages fell. And there was no 'safety net' for those who fell into poverty. In 1976 poverty levels in the Greater Santiago area rose to 57 percent but by 1985 had fallen to 46 percent.[40] Unemployment hurt the poorest as "more than half of the unemployed belonged to the lowest income quintile, and nearly four-fifths of the unemployed belonged to families with below average income. Also, unemployment hurt lower-income groups more severely because they had fewer income earners per family."[41] The government's social policy ignored growing levels of unemployment and poverty since "between 1970 and 1988 total social expenditures per capita fell by 8.8%, and health alone by almost 30%."[42]

Table 3.3 clearly demonstrates the declining levels of income and an increase in poverty during the Pinochet regime. The Gini coefficient measures the dispersion between the distribution of income and "is considered to be relatively even, if its value falls between 0.2 and 0.35."[43] Chile's Gini coefficient increased from 0.493 in 1969-71 to 0.543 in 1982-84, (Table 3.3). The lowest 40% and the middle 40% of the income bracket experienced a

---

[40]Cristian Moran, "Economic Stabilization and Structural Transformation: Lessons from the Chilean Experience, 1973-87," *World Development* 17, no.4 (1989) 495.

[41]Partricio Meller, "Adjustment and Social Costs in Chile During the 1980s," *World Development* 19, no.11 (1991) 1556.

[42]Alan Angell, "The Transition to Democracy in Chile: A Model or an Exceptional Case?" *Parliamentary Affairs* 46, no.4 (1993) 565.

[43]Author unknown. "Dynamics of the Gini coefficient"; accessed Feb. 20, 1998 [http://www.ciesin.ee/UNDP/nhdr/Figure81.html]

decline in the share of income between 1970 and 1984, while the highest 20% of the income bracket experienced an increase. The Sen indicator demonstrates that more people were living in poverty by the 1980s, while real wages declined by 10 percent and the unemployment rate steadily increased.

Table 3.3
Indicators of Income Distribution[44]

INDICATORS OF INCOME DISTRIBUTION, SANTIAGO AND CHILE

Period	Gini coefficient of family income	Share of Income			Sen Indicator(a)	Real Wage Indicator	Unemployment Rate(%)
		lowest 40%	middle 40%	Highest 20%			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
1969-71	0.493	11.5(b)	32.7(b)	55.8(b)	19.0	100.0	5.5
1980-81	0.523	11.1	31.4	57.6	17.6	89.6	16.5
1982-84	0.543	10.0 (c)	30.6(c)	59.5	28.3	90.5	27.4

(a) The Sen indicator measures the intensity of poverty in the "extreme poverty" sector. It combines the percentage of families below "poverty line" and the gap between their actual income and the "poverty line" income. Higher values of the Sen Indicator denotes a higher intensity of poverty.
(b)1970
(c)1982-1983
Sources: Columns 1-4: Heskia (1979) and Riveros (1984). Figures are for Santiago
Column 5: Torche (1987). Figures are for Chile
Column 6: Cortazar and Meller (1987). Figures are for Chile
Column 7: Jadresic (1986). Includes special public programs (PEM and POJH). Figures are for Chile

Opening the Chilean economy by liberalizing trade and investment created favourable conditions for foreign investors. Although various interest groups in Canada pressured

[44]Partricio Meller, *Adjustment and Equity in Chile*. (France: Organization for Economic Co-operation and Development, 1992) 21.

Ottawa to stop trading with Pinochet's Chile, they were unsuccessful. "At the U.N., Canada had spoken and voted against human rights violations in Chile, but Ottawa maintained that economic sanctions against that country would only hurt Canadian interests and would have little effect in altering Chilean policies."[45] The government also accepted Pinochet's economic policies, arguing "the Department of External Affairs argued that the military junta's austerity plan offered 'reasonable prospects for economic recovery and growth' but that it would be impossible, in 1974 alone, for Pinochet to 'regain all the ground lost during the previous regime.'"[46]

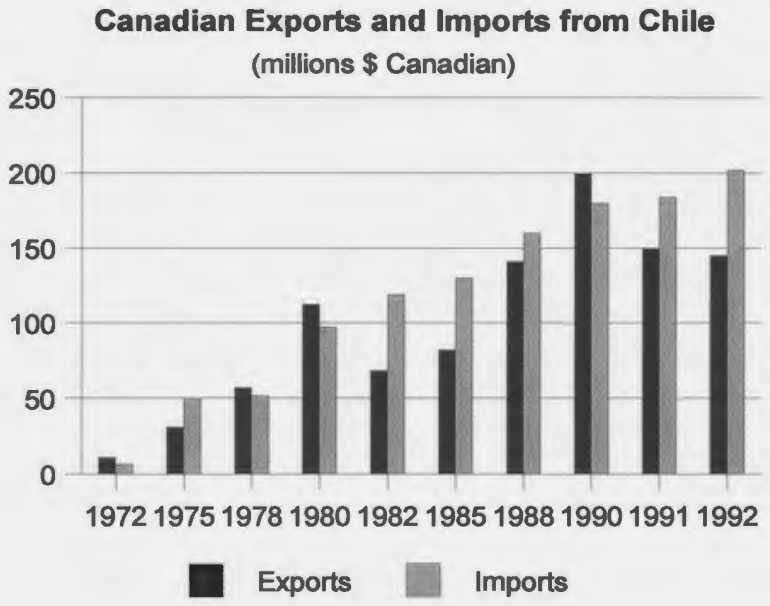
Table 3.4 demonstrates that Canadian exports and imports from Chile increased throughout the military dictatorship. The low levels of trade in 1972 reflect Canada's limited interest in Chile at that time and helps explain why Ottawa did not react to the military coup in 1973. Canadian trade with Chile has dramatically increased since then.

---

[45]Rochlin, *Discovering the Americas*, 101.

[46]Ibid., 93-94.

Table 3.4
Canadian Exports and Imports from Chile[47]



Source: Statistics Canada, Exports: Merchandise Trade, Cat 65-202, various years; Canada Year Book of Industry Trade and Commerce, various years; Imports: Merchandise Trade, 65-203, various years.

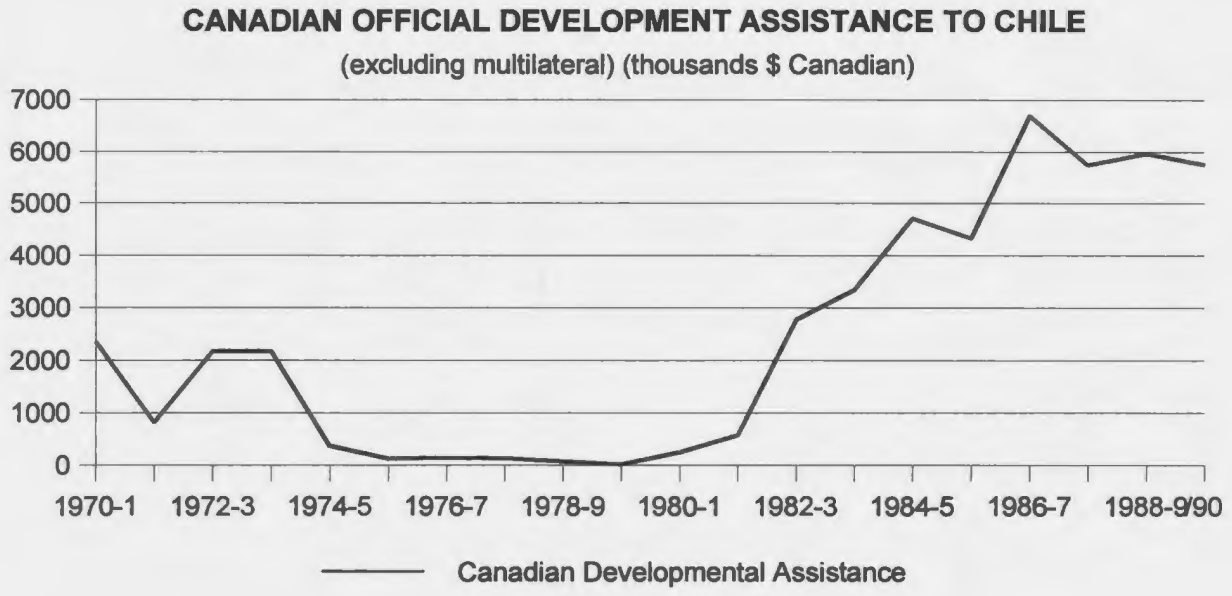
Table 3.5 illustrates Canadian official development assistance to Chile between 1970 and 1990. There was a drop in bilateral aid to Chile in 1973 because: "once again Canada acted quietly, making no public statement to the effect that this initiative was prompted by human rights considerations. Further, as in the other cutbacks, the aid program in Chile had always been small."[48] Canadian assistance to Chile increased dramatically during the 1980s.

---

[47]Ibid., 239, 242.

[48]Keenleyside, "Aiding Rights: Canada and the Advancement of Human Dignity", 247.

Table 3.5
Canadian Official Development Assistance to Chile[49]



Source: Canadian International Development Agency, Corporate Information Division, Hull Quebec

Decline of the Military Government

Open opposition to the military regime became evident during the 1981-82 economic crisis. Opposition began in social organizations that were able to develop under Pinochet as they were relatively isolated from repression. Notable among these were groups linked to

[49]Ibid., 246.

the Catholic church. Philip Oxhorn suggests that authoritarian rule, depending on the extent of repression, can either prevent the emergence of civil society, or provide the conditions for its development.[50] In Chile, it created the conditions for the strengthening of these organizations which became an effective opposition to the regime.

The economic crisis of 1981-82 hit the lower classes of society the hardest. Workers, women, youth, and the poor organized so that they could express their interests and help one another. The common thread uniting these groups was their desire for Pinochet to step down. It was also important that since Chile had become a democracy before the military coup, many citizens had organizational experience and remembered what life was like in a democracy.

The reappearance of civil society during the early 1980s provoked a reemergence of political parties. Except for the Communists, excluded because they would not renounce violence, parties that were previously separated by their ideological differences coalesced into the Democratic Alliance (AD). The AD wanted to work within the existing rules to re-establish democracy and believed that violence would delegitimize their efforts. A document, known as the National Accord, outlined the party's intentions and called for Pinochet's resignation.

Another political party coalition, the Popular Democratic Movement (MDP) became the United Left (IU). It was made up of groups who were excluded from the Democratic

---

[50]Philip Oxhorn, *Organizing Civil Society*, (Pennsylvania: Pennsylvania State University Press, 1995) 5-6.

Alliance: The Communists, the Movement of the Revolutionary Left, another Socialist faction, Chispa, and the Movement for United Popular Action.[51] Unlike the AD, the IU wanted to overthrow Pinochet via mass mobilization.

The AD, operating within the laws that Pinochet enacted, called for a presidential plebiscite in 1988. If the AD had used an illegal method or violence, it would have provided an excuse for the military to repress it. Pinochet's acceptance of the plebiscite was a result of US pressure. Although the US had initially supported Pinochet, the US "came to fear seriously that another Nicaragua might develop if deep polarization remained between the government headed by General Augusto Pinochet and most civilian political groups."[52] Therefore, the US provided economic aid and support to the AD and "worked actively for a fair plebiscite in 1988 in accord with Chile's constitution."[53] It is interesting to note that Canada did not play a role in Chile's plebiscite, during a time when Ottawa's rhetoric was focused on human rights and democratization. Although it could have been a result of Canada staying out of US business, it also suggests a lack of interest in Chile by Ottawa.

The plebiscite asked citizens whether or not they supported the military regime. Once Pinochet legalized political parties (with many restrictions) the opposition began its

---

[51]Lois Hecht Oppenheim, *Politics in Chile: Democracy, Authoritarianism, and the Search for Development.* (Boulder: Westview Press, 1993) 182.

[52]Christopher Mitchell. " U.S. Policy Toward Western Hemisphere Immigration and Human Rights." *United States Policy in Latin America: A Debate of Crisis and Challenge*. ed. John D. Martz. (London: University of Nebraska Press, 1995) 290.

[53]Ibid., 290.

campaign. The US also pressured Pinochet to keep the plebiscite free and fair. The result showed opposition receiving 55 percent of the vote to Pinochet's 44 percent.

In December 1989, elections were held for the new civilian government. "Less than two years before the election, President Pinochet enjoyed virtually unchallenged authority, while the opposition was in disarray. The economy had recovered from the slump of 1981-82, and in comparison with most other economies in Latin America, the Chilean one was a success story."[54] The opposition from the 1988 plebiscite formed the Concertacion para la Democracia led by Patricio Aylwin who won the election with 55 percent of the vote and held a majority in the lower house, with 70 out of 120 seats.[55] He did not, however, carry the Senate, for reasons discussed below.

Unlike other Latin American countries, the Chilean economy was not in ruins, but was growing. In 1989, Chile was the leading per capita exporter in Latin America; there was a favourable balance of trade; the foreign debt was under control; foreign investment was high; and industries were expanding.[56] Alywin successfully managed the economy during

---

[54]Alan Angell and Benny Pollack, "Elections and Politics in Chile, 1988-1992," *The Legacy of Dictatorship: Political, Economic and Social Change in Pinochet's Chile*. ed. A. Angell and B. Pollack. (Institute of Latin American Studies: The University of Liverpool, Monograph Series, No.17) 1.

[55]Paul W. Drake and Ivan Jaksic, "Introduction: Transformation and Transition in Chile, 1982-1990," *The Struggle for Democracy in Chile 1982-1990*. ed. P. Drake and I. Jaksic. (Lincoln: University of Nebraska Press, 1991) 13-14.

[56]Brian Loveman. "Democracy on a Tether." *Hemisphere*. (Winter/Spring 1990)

his term. Inflation in 1993 was 12.7 percent, unemployment was 4.3 percent and productivity was high.[57] The success of the economy added legitimacy to the transition.

Problems and Prospects of Chilean Democracy

Chile's transition to democracy has been relatively successful as illustrated by free and fair elections in 1989 and 1993, and many social and political rights have been restored. However, the consolidation of democracy is not complete as many anti-democratic holdovers from the 1980 Constitution remain. It was difficult for the newly elected civilian government to enact reforms as "the powerful Chilean private sector accepted the return of democracy only after the forces opposing Pinochet committed themselves to respecting its interests. [And] according to a prominent hypothesis in the literature on regime transitions, such constraints prevent a new democracy from enacting reforms that could offend business."[58] The 1980 Constitution embodies Pinochet's vision of a 'protected' democracy that was restricted in nature. Other anti-democratic holdovers from the Pinochet regime include: the military remains outside civilian control; there are nine appointed Senators; unpunished human rights violations; and electoral laws that distort the electorate's will. These factors impede the elected civilian government from pursuing policies and instituting reforms that would further consolidate democracy.

---

[57]Oppenheim, *Politics in Chile*, 225.

[58]Kurt Weyland, "Growth and Equity in Chile's New Democracy", *Latin American Research Review* 52, no.1 (1997) 38.

The Constitution of 1980 embodies Pinochet's desire to create a 'protected' democracy which would "replace 'the neutral and defenceless classic, Liberal state with one committed to the values of the liberty and dignity of individuals and the essential values of our nationhood."[59] This system is highly presidentalist, (Articles 62 and 64)[60]. Before leaving office, Pinochet accepted constitutional reforms that removed some of the most objectionable features of the constitution, by slightly reducing the control of the executive over Congress, and making amendments to the constitution somewhat easier.[61] However, the framework of the Constitution retains undemocratic elements.

To further consolidate democracy the military needs to be brought under civilian control. The civilian government has no control over appointments or removal of army officers and commanders. This allows the military to determine its own future and be unaccountable to the citizenry. It creates an atmosphere of fear and causes the civilian government to be very careful about reformist proposals.

The 1980 Constitution, like some others in Latin America, grants the armed forces 'reserve power', which gives them the ability to come to "the defense of the fatherland, national security, and the institutional order of the republic."[62] The Constitution also created

---

[59]Mark Ensalaco, "In with the New, Out with the Old? The Democratising Impact of Constitutional Reform in Chile." *Journal of Latin American Studies* 26, part 2, (1994) 411.

[60]Jorge Nef and Nibaldo Galleguillos, "Legislatures and Democratic Transitions in Latin America: The Chilean Case." *Legislatures and the New Democracies in Latin America*, ed. David Close. (Boulder: Lynne Rienner, 1995) 118.

[61]Angell, "The Transition to Democracy in Chile", 569.

[62]Nef and Galleguillos, "Legislatures and Democratic Transitions in Latin America", 119.

a National Security Council, dominated by the military, that advises the President on matters relating to national security.[63] The Council has the ability to 'represent' its opinions in front of any government institution, which means the armed forces can "lawfully appeal to any government body that might share their views on national security."[64]

Nine appointed senators remain from the Pinochet government. They are "supposed to embody Pinochet's vision of a 'technified democracy' in which the voice of experts would enjoy a privileged hearing."[65] These senators constrain Chilean democracy as they block many reforms coming from the democratically elected government. The Senate became the centre of even more controversy on March 11, 1998 when General Pinochet stepped down as Commander-in-Chief of the Army and took a lifetime Senate seat. Pinochet's new position as a senator has provoked political debate. The right supports Pinochet's move as "it seemed perfectly natural and that he would be a great help in discussing the country's laws, given his role in reforming its institutions as president."[66] Others argue that no politician should be in power who is not freely elected by the people.[67]

Redress of past human rights violations is important for the consolidation of democracy because it represents that the new civilian governments recognizes past abuses.

---

[63]Ensalaco, "In with the New, Out with the Old?" 422.

[64]Ibid., 423.

[65]Ibid., 419.

[66]CHIP News. "Pinochet Considering Senatorship." Source: El Mercurio. March 3, 1997; [http://www.chip.cl/news/1997/3/3/nl.html]

[67]Ibid.

The Truth and Reconciliation Commission was set up in May 1990 to investigate human rights violations committed during the Pinochet regime. In March 1991, the Commission published the Rettig Report. This Report "analysed the behaviour of the security services, the armed forces and the judiciary, and proposed a series of measures to ensure that this situation could not be repeated."[68] The Report stated that a total of 2,279 people were killed and "over half were between the ages of sixteen and thirty, and 46 percent had no known party affiliation."[69]

Despite the Rettig Report's revelations , the government was slow to react because the Senate blocked reforms. Further inhibiting the government's response was the 1978 Amnesty Law that protects the military from persecution. Then in May 1993 the military took to the streets to show its opinion of government attempts to strip it of its impunity. Manual Garreton states that the agenda for human rights should be to reform the two institutions that allowed the violations to occur: the military and the judiciary.[70] He argues that: "These reforms link the two aspects 'Nunca Mas', that which refer to the past and its causes, and that which refer to the future and the conditions that will preclude a repetition

---

[68]Manuel Antonio Garreton. "Human Rights in the Process of Democratization." *Journal of Latin American Studies* 26,(1994) 227.

[69]Oppenheim, *Politics in Chile*, 217.

[70]Garreton, "Human Rights in the Process of Democratization", 232.

of the past."[71] It is important for the new civilian government to address past human rights abuses. However given blocks for further reforms, this will be a slow process.

Prior to stepping down as President in 1989, Pinochet enacted the binominal electoral law, which mandates double-member districts to elect 120 deputies and 38 senators.[72] Pinochet believed that the electoral system prior to 1973 created highly ideologically divided political parties. He wanted to create an electoral system that would prevent ideological divides between parties, while it benefited the right. The system's advocates claim that it builds cooperation between political parties and brings ideologies closer to the centre.[73]

This was demonstrated by the formation of a coalition of parties known as the Concertacion para la Democracia that formed in 1989. However, the Concertation leaders argued: "that the binominal system, contrary to its stated aims, actually promotes intracoalition misunderstanding and disunity."[74] The Concertation's partners argued that negotiating with each other, to compose candidate lists is labourious.[75] Critics of the electoral system also argue that it distorts voter preference and benefits third place winners.

The elections of 1989 and 1993 illustrated that Pinochet's objectives were fulfilled. The percentage of seats won by the right were out of proportion with the electoral votes.

---

[71] Ibid., 232

[72]Rhoda Rabkin. "Redemocratization, Electoral Engineering, and Party Strategies in Chile, 1989-1995". *Comparative Political Studies* 29, no.3 (1996) 336.

[73]Ibid., 336.

[74]Ibid., 345.

[75]Ibid., 345.

Tables 3.6 and 3.7 clearly show that the number of votes did not correspond to the number of seats won.

Table 3.6[76]
Presidential Election Results, 1989 and 1993
(percentage of valid votes)

1989		1993	
Coalition of Parties for Democracy (CPD): P. Aylwin	55.17	**CPD:** E. Frei	58.01
		Other Left Candidates:	
		M. Max-Neff	5.55
		E. Pizarro	4.69
		C. Reitze	1.17
Right Parties:		**Right Parties:**	
H. Buchi	29.40	A. Alessandri	24.39
Independent Right:		**Independent Right:**	
F.J. Errazuriz	15.43	J. Pinera	6.18

Source: Munck, "Authoritarianism, Modernization, and Democracy in Chile", 4.

Table 3.6 illustrates that in both the 1989 and 1993 elections the CPD won the election with the highest percentage of votes, 55.17% and 58.01 % respectively. Table 3.7 illustrates that although the CPD won the highest percentage of votes, it "did not translate into control of the Congress."[77] This happened "even though *Concertacion* (CPD) candidates for the Chamber of Deputies garnered 55.42% of all valid votes compared to only

[76]Gerardo L. Munck, "Democratic Stability and Its Limits: An Analysis of Chile's 1993 Elections." *Journal of Interamerican Studies and World Affairs* 36, no.2, (1994) 4.

[77]Munck, "Democratic Stability and Its Limits", 9.

36.56% for the UPC candidates on the Right, the CPD was still only able to hang onto its previous majority of 70 seats (out of 120)."[78]

Table 3.7[79]
The Makeup of Congress, 1989 and 1993
(number of seats)

		Deputies	Senators	Deputies	Senators
Center-left Coalition					
Coalition of Parties for Democracy	(CPD)[80]				
	PDC	39	13	37	13
	PS	18	4	15	5
	PPD	7	1	15	2
	PR	6	3	2	1
	SD	-	1	-	-
	PDI	-	-	1	-
Subtotal		70	22	70	21
Left Coalition					
	MIDA	2	-	-	-
Right Coalitions and Allies					
	RN	32	13	29	11
	UDI	14	2	15	3
	UCC	-	-	2	-
	Independents	2	1	4	3
	Designated[81]	-	8	-	8
Subtotal		48	24	50	25
Total		120	46	120	46

Source: Munck, "Authoritarianism, Modernization, and Democracy in Chile." 9.

---

[78]Ibid., 9.

[79]Ibid., p9

[80]The acronyms used are: Christian Democrats (PDC); the Socialist (PS); the *Partido por la Democracia* (PPD); the *Partido Radical* (PR); *Social Democracia* (SD); the *Partido Democratico de Izquierda* (PDI); the *Movimiento de Izquierda Democratico Allendista* (MIDA); the *Renovacion Nacional* (RN); the *Union Democratica Independiente* (UDI); and the *Union de Centro Centro* (UCC).

[81]The number of designated senators was reduced to eight due to the death of one of the appointed Senators.

The 'over- representation' of the right in Congress is caused by the binominal electoral system as well as from the appointed Senators. Although the governing coalition in both elections won a majority of votes, they did not win a majority of Senate seats. This was Pinochet's intent.

> . . . (W)hile the largest electoral bloc would have to gain more than two-thirds of the votes to win both seats in each district, the second-largest bloc can win one of every two contested seats with just over a third of the votes. In the Chilean context, this means - as the architects of the system intended - that the Right, which historically has received only a third of the vote, would be over- represented in the Congress.[82]

As a result, the electorate's will is not being fairly represented in Chamber of Deputies or the Senate. Critics have argued that the electoral system is a destabilizing factor because it is too sensitive to small vote shifts.[83] The right has used its gains from the electoral system to frustrate further democratization, for example by blocking reforms involving civil-military relations, tax laws, electoral laws, and reforms to the judiciary.

Despite the anti-democratic holdovers from the Pinochet regime, both the Alywin and Frei governments have had some successes. The Aylwin government increased social spending, made minor changes to the tax system, and increased the health budget.[84] The Frei government, in power since 1993, has also attempted to improve social conditions as the government's main priorities are to eradicate poverty, achieve a higher standard of living,

---

[82]Ibid., 10.

[83]Rabkin, "Redemocratization, Electoral Engineering, and Party Strategies in Chile, 1989-1995." 348.

[84]Angell, "The Transition to Democracy", 565.

reform education and the health system. Poverty levels fell from 40 percent in 1989 to 28.5 percent in 1995; however income distribution remains highly unequal.[85] Furthermore the government has emphasized improved productivity, skills upgrading and diversification to higher value added exports.

Both governments have maintained the economic growth begun under the Pinochet regime and at the same time have addressed the grave social problems created by the dictatorship. In 1995 GDP grew 8.4 percent, up from 4.3 percent in 1994, and inflation fell from 8.9 percent in 1994 to 8.2 percent in 1995.[86] In 1994 Chile was the only Latin American country with an 'investment grade Single A minus' debt rating, the first with an 'A1' from the European rating agency IBCA, and had received a record US$4.3 billion of foreign investment.[87] Capital investment reached a high of 30.7 percent of GDP in 1995 with "investment averaging 28.1% per annum over the last years. In 1995 investment reached 6% of GDP; Canada accounted for 33.8% of all authorized foreign investment in Chile, an increase of almost 200% over 1994."[88]

---

[85]Chip News. "Poverty on the Decline." July 9/97. Source: El Mercurio; La Nacion. [http://www.chip.cl//news/search/bold.pl?c:\www.chipenews\1997\7\9\nl.html&reforms]

[86] DFAIT. *Focus on Chile.*

[87]Ibid.,

[88]Ibid.,

Conclusion

Although the Aylwin and Frei governments have had some successes in social and economic policies, there remains social inequalities which create discontent. Despite economic growth, the government has not adequately addressed issues of poverty and income inequalities.[89] As Felipe Aguero point out: "income inequality has continued to grow, placing Chile among the historically worst cases of inequality in Latin America: Brazil, Guatamala, and Honduras. The freest and most competitive economy in Latin America has become also one of the most inegalitarian."[90] An increase in dissatisfaction could result in the population looking elsewhere for solutions. This could lead to a breakdown in Chile's democratic transition.

The effects of the CCFTA on Chile's future consolidation of democracy are uncertain. However, Ottawa has decided that it would ignore these issues and capitalize on the economic advantages that will arise from a bilateral free trade agreement. The lack of democratic intent in the free trade agreement suggests that Canada endorses a free trade agreement that is ultimately flawed, because it fails to address domestic democratic issues which could cause political and economic instability. Potential political and economic instability in Chile could accentuate weaknesses in the free trade agreement, such as the labour and environmental side agreements. In turn, this could affect the free trade agreement and have a negative economic impact on Canada.

---

[89]Felipe Aguero, "Chile's Lingering Authoritarin Legacy", *Current History* 97, no.616, (1998) 68.

[90]Ibid., 68.

Conclusion

The consolidation of democracy in Chile is not secured, yet the Canadian government moved ahead and signed a bilateral free trade agreement that lacks democratic content. Authoritarian holdovers from the Pinochet regime retard democratic consolidation, which in turn threatens the nations's future economic growth and prosperity. Now that it has a free trade agreement with Chile, Canada also has a vested interest in Santiago's democratic development and respect for human rights. Democracy is good for economic development, and "there is a growing appreciation that the fostering of democratic processes in government and society contributes to economic development by releasing creative energies, enhancing accountability, and deepening participation."[1] However, Ottawa failed to recognize the link between economic development, on the one hand, and human rights and democratic development, on the other.

This thesis has sought to explain why the CCFTA ignores democracy and why Canadian foreign policy in the 1990s does not place a higher priority on human rights and democracy promotion, as one would have expected from the initiatives of the 1980s. The first chapter explored the concept of regionalism as the motivation behind Ottawa to sign a bilateral free trade agreement with Chile. The world economy has moved to the formation of trade blocs which have reduced traditional markets for Canada, such as the European

---

[1]Gillies, *Between Principle and Practice*, 21.

markets now that the EU is in place. Canada's dependency on the US as an export market has also left Canada in a vulnerable position if the US decided to implement protectionist measures. Therefore, Canada seeks to secure its position in the world economy by looking for alternative non-traditional markets, for example in Latin America were democratization and economic growth have stimulated interest in regional integration. Latin American countries have presented themselves as possible partners for regional integration as there have been moves toward democratization and their economies have improved.

Ottawa has been and continues to be an active promoter of regional economic integration and continues to be despite the limited success of the EAI, the waning support in the US for the FTAA, and the skepticism of some Latin American governments toward a hemispheric economy. In 1990, US President Bush introduced the EAI which was supposed to support and facilitate economic changes in Latin America and establish a FTAA by 2005. The objective of the initiative was to facilitate the necessary economic changes in Latin American countries so that they would be prepared to meet the obligations of a free trade agreement. The waning support of the US and the skepticism of many Latin American governments were the causes of the lack of success for the EAI. The US has moved toward more protectionist measures after NAFTA, as illustrated by the failure of Chile's accession to NAFTA to be fast-tracked through US Congress. Chile's failure also created worries that other Latin American economies will not be permitted to enter into a free trade agreement with the US. Some Latin American governments are also wary of the costs of a regional free

trade arrangement after they witnessed the social and political crisis that erupted in Mexico shortly after the signing of NAFTA.

Despite the waning interest by some governments in the Americas in the creation of a FTAA, there are other governments which continue to pursue it because they believe it will bring economic benefits to their country. As a result, there is a patchwork of multilateral trade agreements, such as MERCOSUR, the ANDEAN Pact, CARICOM, CACM, and NAFTA, as well as a number of bilateral trade agreements between various countries.

Ottawa wanted to expand economic integration as a way to secure its economic and trade interests and Chile presented itself as the next likely candidate for a free trade deal as its economic growth was the most dynamic in Latin America and it was undergoing a transition to democracy. Chile's associate membership in Mercosur may also give Canada a window to that organization, which would give Canada access to the rich markets in South America. Trade between Canada and Chile has dramatically increased in the past few years and Chile's resource-based export economy provides ample opportunities for Canadian investors. For Chile, Canada provides expertise and knowledge in export industries, such as agriculture, forestry, fisheries, information technology and telecommunications, mining, and power and energy. Canada's decision to pursue a bilateral free trade agreement with Chile was a result of Chile's failure to be fast-tracked through US Congress. Ottawa wanted to continue with economic integration despite the participation of the US as Ottawa did not want to lose out on the economic benefits of a free trade agreement with Chile. The CCFTA will promote business and investment in these sectors for both countries.

Chapter One also examined the CCFTA in order to determine if there was any concern about human rights and democracy in Chile when the agreement was under negotiation. The negotiations were held in secret and not much information is available on the process.[2] However, what is known is that the negotiations were conducted under the direction of the DFAIT and the Minister of International Trade. Each of these departments receives advice from industrial lobbyists and two appointed bodies: the International Trade Advisory Committee and a number of Sectoral Advisory Groups on International Trade.[3] Advisory bodies are heavily weighted with representatives from the corporate sector.[4] Other interest groups and non-governmental organizations had little input during the negotiations. The vital role the corporate sector played in shaping the CCFTA suggests that little consideration was given to human rights and democracy issues because such issues are irrelevant to business interests.

The CCFTA does include labour and environmental side agreements which suggests that Ottawa may have concerns about labour rights and environmental protection in Chile. However, a closer examination suggests that they are not a plan of action to protect labour and the environment. There is no evidence to suggest that these side agreements were intended to pressure the Chilean government to reform its labour and environmental laws. Environmental groups in Chile believe that the CCFTA will produce greater environmental

---

[2]Robinson, Interview.

[3]Ibid.

[4]Ibid.

costs as enforceable clauses are absent from the body of the agreement.[5] In sum, the CCFTA lacks democratic intent and this may reinforce the inequalities and the undemocratic characteristics of the Chilean system.

Chapter 2 examined Canadian foreign policy rhetoric in the 1980s to consider the claim Ottawa places a high priority on human rights and democracy issues in its foreign policies. During the 1980s, official government statements and parliamentary reports on Canadian foreign policy emphasized these issues. Central America and South Africa are examples of how Canadian foreign policy rhetoric contradicted Ottawa's actions.

Ottawa perceived the instability in Central America to be linked to the political, social, and economic problems that plagued the region. The US, on the other hand, believed that instability was a result of the East-West conflict and therefore was a direct threat to US security. Ottawa's foreign policy rhetoric pursued the idea that peace and security in Central America could be achieved through peaceful means, "namely, human rights, trade and investment, development assistance and security."[6] However, Ottawa's actions in Central America did not live up to its rhetoric. Although, the government of Canada stated that it objected to the militarization of the region, it was careful not to directly criticize the US, its largest trading partner.

Ottawa's actions in Central America reveal a foreign policy guided by the principles of economic self-interest rather than by humanitarian and democratic concerns. Further, by

---

[5]Chilean Action Network, "Open Letter from Chile to Canadian Parliamentarians", 6.

[6]External Affairs and National Defence, "Final Report", 8.

comparing Canada's actions to those of the 'like-minded' states, which, generally speaking, provided more assistance to the region, it exposes a foreign policy that is dominated by economic and trade interests. Canada also had economic interest in the region, therefore Ottawa was concerned about maintaining stability in order to protect its trade.[7] The like-minded states, consisting of Denmark, the Netherlands, Norway, Sweden, Australia, Belgium, Finland, France, and Ireland generally considered the problems in Central America related to the political, social, and economic instability and their actions were consistent with their policy rhetoric. For example, Spain, France, Denmark and Sweden were "more generous with export credits and financing to Nicaragua than...Canada."[8] Canada's actions in Central America were confusing and contradictory which weakened any positive influence that Canadian foreign policy may have had.

Canada's refugee and aid policies also sent mixed messages to the governments and citizens in Central America. Initially, Canada's refugee policy was open to those fleeing from violence in Central America. However, after changes in US immigration laws that would have sent an influx of Central American refugees to Canada, Canada quickly amended its laws to limit the number of refugees.[9] This suggests that the Canadian government was willing to go only so far to accommodate humanitarian concerns. Mixed signals also characterized Canada's aid policy, Ottawa initially cut bilateral assistance to El Salvador and

---

[7]Rochlin, *Discovering the Americas*, 127.

[8]Lemco, *Canada and the Crisis in Central America*, 58.

[9]North, *Between War and Peace*, 51.

Guatemala because of human rights violations.[10] However, Ottawa renewed aid to both countries in 1984 and 1987, respectively, despite the continuation of human rights violations.[11]

South Africa is another example of Canadian action not meeting the standards of its rhetoric. The increase in violence in South Africa became an issue for the Canadian government in the 1980s. The black majority of South Africa was reacting to the oppression created by the white minority government and its apartheid policies. The Mulroney government responded by threatening extensive economic sanctions against South Africa if its domestic policies went unchanged. The partial economic sanctions implemented by Mulroney had little effect as trade between the two countries was insignificant.[12] Although no changes took place in South Africa, the Mulroney government failed to implement total economic sanctions. Humanitarian concerns took a back seat to other issues as the Mulroney government was preparing for another federal election and was seeking a free trade agreement with the US.

Chapter two also looked at Mexico and NAFTA. Previous concerns about human rights and democracies issues displayed by the Canadian government in its rhetoric toward Central America and South Africa ended there. Although the importance of trade has always been a concern in foreign policy making, it came to the forefront in the late 1980s and early

---

[10]Rochlin, *Discovering the Americas*, 126.

[11]North, *Between War and Peace*, 99-102.

[12]Adam and Moodley, *Democratizing Southern Africa*, 38.

1990s as Canada sought to expand regional economic integration in the Americas, beginning with Mexico. This was a response to changes in the world economy. The end of the Cold War, globalization, and the expansion of transnational corporations, convinced Ottawa to focus on the importance of trade in its foreign policy. Canadian foreign policy in the 1990s stresses the importance of trade in democratic development as it "persists with the fiction that foreign trade is the best way to achieve global security, respect for human rights, and democratic development."[13] This lack of concern for human rights and democracy in Mexico helps to explain why the CCFTA ignores questions of democracy.

Mexico and Chile are similar in the sense that authoritarian elements in their political and economic system did not concern the Canadian government during the negotiations of both free trade deals. Canada did not want to be left out of the trade deal between the US and Mexico because it would benefit US businesses to have access to all markets. Despite the authoritarian nature of the Mexican political system and the human rights violations, poverty, social inequalities, and environmental degradation that mark that country's record, Ottawa continued to push economic integration. Critics argue that by not conditioning the free trade agreement on democratic improvements, it reinforces the authoritarian elements in their country by benefitting the ruling oligarchy and big business.[14]

---

[13]Irving Brecher, "Canadian Foreign Policy: 'Show me the Money'", *Behind the Headlines*, 55, no.1, (1997) 9.

[14]Dosman, *Beyond Mexico*, 95.

By neglecting the importance of democratic development and respect for human rights in Mexico, NAFTA may be undermined. This was illustrated by the social, political, and economic crisis that began after the implementation of NAFTA. The economic, social and political crisis in Mexico therefore provides an example of a country that did not adequately address democratic development and human rights issues during a period of economic growth and integration.

Canada's decision to expand free trade to Mexico took place within the context of regional economic integration. However, regional integration has occurred only at the economic level, and has not extended into social, and security policies, as has happened in Europe. The inequalities that persist where integration is only economic leaves "domestic policies in place, policies which can be equivalent non-tariff barriers (NTBs)."[15] Addressing such non-tariff barriers in Mexico requires changes to the political system; a subject which the Canadian government has avoided. This illustrates that not only is it ethically and morally important for Canada to promote human rights and democratic development in Chile, it is also in Canada's best long-term economic interests.

Chapter three took a brief look at Chilean history, the 1973 military coup, Pinochet's economic recovery policies, the 1989 plebiscite, and the issues that surround Chile's transition to democracy. It also highlights Canada's reaction to significant events in Chilean history. To understand why it is important for the Canadian government to consider

---

[15]Waverman, "Post NAFTA", 56.

democratic development and the promotion of human rights in Chile, one must look at the authoritarian hold-overs from the Pinochet regime and see how they may affect democratic stability.

The democratic tradition in Chile extends back at least to 1932. Between 1932 and 1973 Chile was a restricted democracy in the sense that participation by the popular classes as it was controlled by the upper class. A growing ideological division between political parties, in conjunction with reforms to the electoral system in 1958, threatened the upper class as their economic interests were threatened. The election of a Christian Democrat, Eduardo Frei, in 1964 was a turning point in Chilean history as more groups were given access to the political system, diluting the elite's political influence.

This was the setting in which the Marxist Salvador Allende, a Unidad Popular Candidate, won the presidential election in 1970. However, Allende's attempts to transform Chile into a socialist state, angered those on the right in Chile; the US and less importantly Canada. Therefore, in 1973, a bloody coup lead by General Augusto Pinochet, with Washington's blessing, overthrew the Allende government.

For sixteen years, Chile was governed by a repressive military dictatorship. Canada said little about the coup because Ottawa disliked Allende, and quickly recognized the military government. Canada's aid policy also represents a lack of concern for democracy in Chile because its development assistance continued to pour in throughout the Pinochet years. Although Canada did accept a large number of Chilean refugees, this policy should be viewed as a reaction to public pressure. Initially, Ottawa and the Canadian embassy in

Chile were slow to react to requests for asylum, and did not do so until public pressure increased.

Repressive and anti-democratic though the dictatorship was, Pinochet's economic reforms created one of the most dynamic economies in Latin America. Exports, imports, and foreign investment steadily increased in the late 1980s; however, economic growth was occurring at the expense of poor and lower classes. Poverty, illiteracy, income disparities, and social inequalities increased as the Pinochet regime and its corporate allies reaped the benefits of economic growth. Political parties, which emerged from the grass-roots movements of the early eighties, challenged him to a presidential plebiscite in 1989. Pinochet, under pressure from the US to respect the electoral outcome, agreed. Pinochet lost the election, therefore Chile's transition to democracy was underway. In the 1989 general election in 1989 the dictatorship's support lost momentum.

Although Chile continues to have economic success and has been democratizing since 1989, the consolidation of democracy is far from complete. Anti-democratic hold-overs from the Pinochet regime loom in the background, threatening Chile's future democratic and economic stability. These anti-democratic hold-overs originate in the 1980 Constitution which reflects Pinochet's model of a 'restrictive' democracy. Other examples are the lack of civilian control over the military; the existence of nine appointed Senators; Pinochet's own status as a life-time Senator; past human rights violations that have not been adequately addressed; and an electoral system that distorts the electorate's will. If these anti-democratic hold-overs are not resolved it could result in widespread domestic unrest. There are signs

of this already in a protest vote during the 1993 elections, and by the fact that labour conflict is on the rise.[16]

Canada's decision to enter into a free trade agreement with Chile without making it conditional on further democratization puts Canada in a vulnerable position if domestic instability in Chile leads to economic instability. The link between economic and democratic development is illustrated by three examples suggested by David Gillies. First, "one empirical study found a positive correlation among three indices: "freedom," per capita product, and the quality-of-life index."[17] Second, "another found that democratic stability and "civil and political rights cannot prevail if socio-economic rights are ignored.""[18] Third, "the U.N. Development Programme (UNDP) found that countries with high levels of political freedom (civil and political rights) also produced high human development indices."[19]

Ottawa's decision to put less emphasis on democratic development and human rights issues in its foreign policy in the 1990s derives from its acceptance of the still unproven claim that trade will indirectly promote democratic development, which in turn will foster respect for human rights. This thinking also reflects the ideas of the realist school of international relations, as the government defends its promotion of trade over democracy by claiming that domestic issues are the responsibility of the sovereign state and that we have

---

[16]Aguero, "Chile's Lingering Authoritarin Legacy", 68-69.

[17]Gillies, *Between Principle and Practice*, 20.

[18]Ibid. 20.

[19]Gillies, *Between Principle and Practice*, 20.

no business interfering in other countries affairs. Ottawa thus discounts the argument that sovereignty "must not be used to excuse the "inept or malevolent practices of governments."[20]

Ottawa's desire to further Canada's position in the Americas; the gap between Ottawa's foreign policy rhetoric in the 1980s and its actions; the lack of response to democratic and human rights issues in Mexico; the historical lack of concern for domestic issues in Chile; and Ottawa's focus on trade in the 1990s, all help explain why the CCFTA lacks democratic intent or content. The government of Canada has refused to jeopardize economic and trade interests for the sake of protecting human rights and democratic development abroad. This is also exemplified by Canada's trade and economic relations with "such notorious human rights violators as Cuba, Indonesia, and China."[21]

Ottawa's actions reveal a foreign policy that was self-interested and careful not to jeopardize economic and trade interests. The Canadian government would not press hard for human rights and democracy promotion. The change in rhetoric in the 1990s emphasizing towards the importance of trade in development can be explained by a decline in public involvement in the shaping of our foreign policy.

Canada's foreign policy in the 1990s is therefore an extension of the policies of the 1980s. A reduction in public interest in Canadian foreign policy (as compared to the public's reaction to the Central American crisis) allows Ottawa to ignore the calls from civil society.

---

[20]Ibid., 28

[21]Brecher, "Canadian Foreign Policy", 7.

The result is the corporate sector plays a much larger role in the shaping of our foreign policy. Ottawa still pursues a self-interested foreign policy to secure its trade and investment interests in order to preserve the 'national' interest. The 'national' interest being 'economic' interests. However, it is impossible to understand how our 'national' interests are being protected when Ottawa does not consider what long-term impact its foreign policies will have on Canada. Greater public involvement in the shaping of our foreign policy could force the government to take a more 'democratic' line.

SOURCES CONSULTED

Adam, Heribert and Kogila Moodley. 1992. *Democratizing Southern Africa: Challenges for Canadian Policy*. Ottawa: Canadian Institute for International Peace and Security.

Ai Camp, Roderic, ed. 1996. *Democracy in Latin America: Patterns and Cycles*. Winnington: Scholarly Resources Inc.

Anglin, Douglas, ed. 1986. *Canada and South Africa: Challenge and Response*. Ottawa: The Norman Paterson School of International Affairs.

Aguero, Felipe. 1993. Chile: South America's Success Story. *Current History*. (March): 130-135.

-------- 1998. Chile's Lingering Authoritarian Legacy. *Current History* 97, no. 616: 66-70.

-------- 1992. The Military and the Limits to Democratization in South America. In *Issues in Democratic Consolidation*, eds. Scott Mainwaring, et al. University of Notre Dame Press.

Allison, Graham R. and Beschel, Robert P. 1992. Can the United States Promote Democracy. *Political Science Quarterly* 197, no.1: 81-199.

Angell, Alan. 1993. The Transition to Democracy in Chile: A Model or an Exceptional Case? *Parliamentary Affairs* 46, no.4: 563-580.

Angell, Alan and Benny Pollack, eds. *The Legacy of Dictatorship: Political, Economic and Social Change in Pinochet's Chile*. Institute of Latin American Studies: The University of Liverpool Monograph Series, No. 17.

Angell, Alan and Carol Graham. 1995. Can Social Sector Reform Make Adjustment Sustainable and Equitable? Lessons from Chile and Venezuela. *Journal of Latin American Studies* 27:189-219.

Arbour, Frances. 1997. Supporting the Guatemalan Peace Accords: Implications for Canada. *Canadian Foreign Policy* no.1: 95-104.

Axline, Andrew. 1996. Chile, Canada and NAFTA: Globalization and Regionalism in the Americas. *Working Paper #9601P*. Department of Political Science, University of Ottawa.

Bailey, Glen. 1995. Canadian Diplomacy as Advocacy: The Case of Chile and the NAFTA. *Canadian Foreign Policy*3 no.3: 97-112.

Bailey, Norman A. and William Perry. 1993. The Strategic Impact of Hemispheric Free Trade. *American Academy of Political and Social Science.* 526: 68-85.

Barahona De Brito, Alexandra. 1993. Truth and Justice in the Consolidation of Democracy in Chile and Uruguay. *Parliamentary Affairs* 46, no.4:579-593.

Barahona De Brito, Alexandra. 1997. *Human Rights and Democratization in Latin America: Uruguay and Chile*. New York: Oxford University Press.

Barber, James. 1983. *The Uneasy Relationship: Britain and South Africa*. London: Royal Institute of International Affairs.

Bitar, Sergio. 1986. *Chile: Experiment in Democracy*. Translated by Sam Sherman. Philadelphia: Institute for the Study of Human Issues.

Bosworth, Barry P., Rudiger Dornbush and Raul Laban. 1994. *The Chilean Economy: Policy Lessons and Challenges*. Washington: The Brookings Institution.

Bradford, Colin I., and Caroline Pestieau. 1971. *Canada and Latin America: The Potential for Partnership*. Toronto: Canadian Association for Latin America.

Brecher, Irving, ed. 1989. *Human Rights, Development and Foreign Policy: Canadian Perspectives*. Halifax: The Institute for Research on Public Policy.

Brecher, Irving. 1997. Canadian Foreign Policy: 'Show me the Money'. *Behind the Headlines.* 55, no.1:4-12.

Buendia, Jorge. 1996. Economic Reform, Public Opinion, and Presidential Approval in Mexico, 1988-1993. *Comparative Political Studies.* 29, no.5: 566-591.

Cameron, Ian. 1989. Canada, the Commonwealth and South Africa: National Foreign Policy-Making in a Multilateral Environment. *Millennium.* 18, no.2: 205-225.

Cameron, Maxwell and Maureen Molot. 1995. *Canada Among Nations 1995: Democracy And Foreign Policy*. Ottawa: Carleton University Press.

Canada. House of Commons. 1988. *Supporting the Five: Canada and the Central American Peace Process* (July).

Canada. House of Commons. 1982. *Canada's Relations with Latin America and the Caribbean* (October).

Canada-Chile Free Trade Agreement. 1997. *Part One: General Part* [on-line]. Available from http://www.dfait-maeci.gc.ca/english/geo/lac/cda-chili/chap-a26.htm; Internet; acessed 10 January 1997.

Cardebas, Cuauhtemoc. 1990. Misunderstanding Mexico. *Foreign Policy* no.78: 113-130.

Caviedes, Cesar N. 1991. *Elections in Chile: The Road Toward Redemocratization*. Boulder: Lynne Rienner Publishers.

Chile Business Update. 1997. *Summary: Chile-Canada Trade* [on-line]. Available from http://www.chiletrade.cl/chiletrade/newlttr.004/index.html; Internet; accessed 7 March 1997.

Chilean Action Network for an Initiative of the Countries, et al. 1997. *Open Letter from Chile to Canadian Parliamentarians* [on-line]. Available from http://www.web.net/~comfront/newmodel.htm; Internet; accessed 7 March 1997.

CHIP News.1997. *Pinochet Considering Senatorship* [on-line]. UVA Communications; available from http://www.chip.cl/news/1997/3/3/n1.html; Internet; accessed 3 March 1998.

CHIP News. 1997. *Poverty on the Decline* [on-line]. UVA Communications; available from http://www.chip.cl//news/search/bold.pl?c:\www.chipenews\1997\7\9\nl.html &reforms; Internet; accessed 9 July 1997.

CHIP News. 1997.*Frei Presents Agenda For '97* [on-line]. UVA Communications; available from http://www.chip.cl//news/search/bold.pl?c:\www.chipnews\1997\6\8\nl.html &reforms; Internet; accessed 24 January 1997.

CHIP News. 1997. *Designated Senators Here to Stay* [on-line].. UVA Communications; available from http://www.chip.cl//news/search/bold.pl?c:\www.chipnews\1997\6\8\nl.html &reforms; Internet; accessed 18 June 1997.

Christie, Keith H. 1995. *The Four Amigos and Beyond: Towards the Free Trade Area of the Americas*. Ottawa: Department of Foreign Affairs and International Trade.

Clark, Andrew. 1991. *Mosaic or Patchwork? Canadian Policy Toward sub-Saharan Africa in the 1980s*. Ottawa: The North-South Institute.

Close, David ed. 1995. *Legislature and the New Democracies in Latin America*. Boulder: Lynne Rienner Publishers.

Constable, Pamela and Arturo Valenzuela. 1991. *A Nation of Enemies: Chile Under Pinochet*. New York: W.W. Norton and Company.

Cooper, Andrew. 1997. *Canadian Foreign Policy: Old Habits and New Directions*. Scarborough: Prentice-Hall Canada.

Copeland, Daryl. 1997. Foreign Policy, Foreign Service and the 21st Century: The Challenge of Globalization. *Canadian Foreign Policy* 4, no.3: 105-112.

Cornelius, Wayne. 1994. Mexico's Delayed Democratization. *Foreign Policy* no.95: 53-71.

Cushing, Robert et al. 1993. *The Challenge of NAFTA: North America, Australia, New Zealand and the World Trade Regime*. USA: Board of Regents.

Daudelin, Jean and Edgar Dosman. 1995. *Beyond Mexico: Changing Americas*. Ottawa: Carleton University Press.

Daudelin, Jean. 1995.The Politics of Oligarchy: 'Democracy' and Canada's Recent Conversion to LatinAmerica. In *Canada Among Nations 1995: Democracy and Foreign Policy*. ed. Maxwell Cameron and Maureen Molot. Ottawa: Carleton University Press.

Delal Baer, M. and Sidney Weintraub. 1994. *The NAFTA Debate: Grappling with Unconventional Trade Issues*. Boulder: Lynne Rienner Pub.

Department of Foreign Affairs and International Trade. 1997.*CanadExport OnLine* [on-line]. Focus on Chile; available from http://www.dfait-maeci.gc.ca/english/news/newsletr/canex/960402ae.htm#titre; Internet; accessed on 7 June 1997.

Department of Foreign Affairs and International Trade. 1997. *Canada-Chile Trade and Investment Relations* [on-line]. Available at http://www.dfait-maeci.gc.ca/english/geo/lac/81307e.htm; Internet; accessed on 7 June 1997.

Department of Foreign Affairs and International Trade. 1997. *Chilean Forestry Sector Overview*[on-line]. Available at http://www.dfait-maeci.gc.ca/english/geo/lac/ch-fores.htm; Internet; accessed on 7 June 1997.

Department of Foreign Affairs and International Trade. 1997. *Canada-Chile Relations Sept.97* [on-line]. Available from http://www.dfait-maeci.gc.ca/english/geo/lac/81306e.htm; Internet; accessed on 10 October 1997.

Department of Foreign Affairs and International Trade. 1997. *Highlights of the Canada-Chile Agreement on Labour Cooperation* [on-line]. Available from http://www.dfait-maeci.gc.ca/english/geo/lac/ch-labour.htm; Internet; accessed 7 June 1997.

Department of Foreign Affairs and International Trade. 1997.*Canada Signs Environmental and Labour Agreements with Chile* [on-line]. Press Release; available from http://www.ec.gc.ca/naaec-anace/english/new/canchilpres_e.htm; Internet; accessed 6 February 1997.

Dewitt, David and John Kirton. 1983. *Canada as a Principal Power*. Toronto: John Wiely and Sons Ltd.

Dickerson, Mark and Stephen Randall, ed. 1997. *Canada and Latin America: Issues to the Year 2000 and Beyond*. Calgary: The International Centre of the University of Calgary.

Dosman, Edgar. 1995. Introduction: The New Era in Canadian-Latin American Relations. In *Beyond Mexico*. eds., Jean Daudelin and Edgar Dosman. Ottawa: Carleton University Press.

Drake, Paul W. and Ivan Jaksic. 1991. *The Struggle for Democracy in Chile 1982-1990*. Lincoln: University of Nebraska Press.

Dynamics of the Gini Coefficient. 1997. [on-line]. Available at http: //www.ciesin.ee/ UNDP/nhdr/Figure8h.html; Internet; accessed 20 August 1997.

Edwards, Sebastian. 1985. Stabilization with Liberalization: An Evaluation of Ten Years of Chile's Experiment with Free Market Policies, 1973-1983. In *Economic Development andCultural Change* 33, no.2: 223-251.

Edwards, Sebastian and Alejandra Cox Edwards. 1987. *Monetarism and Liberalization: The Chilean Experiment*. Massachusetts: Ballinger Publishing Company.

English, John and Norman Hillmer, eds. 1992. *Making a Difference: Canada's Foreign Policy in a Changing World Order*. Toronto: Lester Publishing Limited.

Ensalaco, Mark. In with the New, Out with the Old? The Democratising Impact of Constitutional Reform in Chile. *Journal of Latin American Studies* 26, part 2, (1994): 409-429.

External Affairs and National Defence. 1982. *Final Report: Canada's Relations with Latin America and the Caribbean*. Ottawa: Issue No.78.

Faundez, Julio. 1988. *Marxism and Democracy in Chile: From 1932 to the Fall of Allende*. London: Yale University Press.

Freeman, Linda. 1997. *The Ambiguous Champion: Canada and South Africa in the Trudeau and Mulroney Years*. Toronto: University of Toronto Press.

Garreton, Manuel Antonio. 1989. Translated by Sharon Kellum. *The Chilean Political Process*. Boston: Unwin Hyman.

Garreton, Manuel Antonio. 1994. Human Rights in Processes of Democratisation. *Journal of Latin American Studies* 26.

Garreton, Manuel Antonio. 1989. Popular Mobilization and the Military Regime in Chile: The Complexities of the Invisible Transition. In *Power and Popular Protest*. ed. Susan Eckstein, Berkeley: University of California Press.

Gelkopf, Allan J. *The Canada-Chile Free Trade Agreement: Linking North and South America*. World Report IX; available http://www/hg/org/supp50.html; Internet; accessed April 1997.

Gillies, David. 1996. *Between Principle and Practic: Human Rights in North-South Relations*. Montreal: McGill-Queens University Press.

Granastein, J.L. 1992. *Towards A New World Order: Readings in the History of Canadian Foreign Policy*. Toronto: Copp Clark Pitman, Ltd.

Grayson, George. 1997. Mexico's Future Is Up For Grabs. *Orbis: A Journal of World Affairs* 41, no.1: 91-105.

Grinspun, Ricardo. 1993. Do FTA's Help Us Live A Better Life? *Policy Options*. 17-21.

Gurtov, Mel. 1991. *Global Politics in the Human Interest*. Boulder: Lynne Reinner .

Haglund, David. 1987. The Missing Link: Canada's Security Interests and the Central American Crisis. *International Journal* XIII: 789-820.

Hakim, Peter. 1993. Western Hemisphere Free Trade: Why Should Latin America be Interested? *The Annals of American Academy* 526: 121-134.

Harberger, Arnold C. 1985. Observations on the Chilean Economy, 1973-1983. *Economic Development and Cultural Change* 33, no.3: 451-462.

Harr, Jerry. 1995. Why Chile Should be Admitted to NAFTA. *The Miami Herald*, October 22 A7.

Harr, Jerry and Edgar Dosman, eds. 1993. *A Dynamic Partnership: Canada's Changing Role In the Americas*. Miami: University of Miami North-South Center.

Hays, Rachel. 1997. Canadians, Chilean Groups Forge Cross-Border Links [on-line]. *Borderlines*. Available at http://www.zianet.com/ircl/bordline/bl131link.html; Internet; 7 June 1997.

Hettne, Bjorn. 1994. The Regional Factor in the Formation of a New World Order. In *Global Transformations*. ed. Y. Sakanato. United Nations University Press: New York.

Hojman, David E ed. 1995. *Neo-Liberalism With A Human Face: The Politics and Economics of The Chilean Model*. Liverpool: Institute of Latin American Studies The University of Liverpool.

--------. 1996. Poverty and Inequality in Chile: Are Democratic Politics and Neoliberal Economics Good For You?" *Journal of Interamerican and World Affairs* 38, no.2/3: 73-96.

Hollings, Ernest F. 1993-94. Reform Mexico First. *Foreign Policy* no.93: 91-103.

Holmberg, Susan. 1989. Welfare Abroad: Swedish Development Assistance. In *The Committed Neutral: Sweden's Foreign Policy*. ed. Bengt Sundelius. Boulder: Westview Press.

Holmes, John and John Kirton, eds. 1988. *Canada and the New Internationalism*. Toronto: Canadian Institute of International Affairs.

Hufbauer, Gary Clyde and Jeffery J. Schott. 1994. *Western Hemisphere Economic Integration*. Washington: Institute for International Economics.

--------. 1993-4. Perscription For Growth. *Foreign Policy* no.93: 104-115.

Hurrell, Andrew. 1995. Explaining the Resurgence of Regionalism in World Politics. *Review of International Studies* 21 (In Multilateralism Course Kit, York University).

Jervis, Robert. 1994. Hans Morgenthau, Realism, and the Scientific Study of International Politics. *Social Research* 61, no. 4: 853-873.

Keating, Tom. 1993. *Canada and World Order: The Multilateralist Tradition in Canadian Foreign Policy*. Toronto: McClelland and Stewart Inc.

Keenleyside, T.A. and Patricia Talyor. 1984. The Impact of Human Rights Violations on the Conduct of Canadian Bilateral Relations: A Contemporary Dilemma. *Behind the Headlines*. No.2: 1-25.

Keenleyside, T.A. 1994. Aiding Rights: Canada and the Advancement of Human Dignity. In *Canadian International Development Assistance Policies: An Appraisal*. ed. Cranford Pratt. Montreal: McGill-Queens University Press.

Kirton, John. 1984. Canadian Foreign Policy in the 1980s.*Current History* 83, no.493 :193-196.

Klepak, Hal, ed. 1993. *Canada and Latin American Security*. Laval: Meridien.

Krischke, Paulo J. 1990. Chile Reinvents Democracy. *Latin American Research Review* 25, no.3: 221-236.

Larrain, Felipe B. 1991. The Economic Challenges of Democratic Development. In *The Struggle for Democracy in Chile, 1982-1990*. eds., Paul Drake and Ivan Jaksic. Nebraska: University of Nebraska Press.

Lemco, Jonathan. 1986. Canada and Central America: A Review of Current Issues. *Behind the Headlines* XLII, no.5: 1-17.

--------. 1991. *Canada and the Crisis in Central America*. New York: Praeger Publishers.

Loveman, Brian. 1990 "Democracy on a Tether." *Hemisphere*. (Winter/Spring) (article taken from course kit of York University Political Science 3555 Latin America Politics)

--------. 1994. "Protected Democracies" and Military Guardianship: Political Transitions in Latin America, 1978-1993. *Journal of Interamerican Studies and World Affairs* 36, no.2: 105-162.

--------. 1979. *Chile: The Legacy of Hispanic Capitalism*. New York: Oxford University Press.

--------. 1991. Mision Cumplida? Civil Military Relations and the Chilean Political Transition. *Journal of Interamerican Studies and World Affairs* 33, no.3 (Fall): 35-69.

Mace, Gordon, Louis Belanger and Jean Philippe Therien. 1993. Regionalism in the Americas and the Hierarchy of Power. *Journal of Interamerican Studies and World Affairs* 35, no.2:115-158.

Mace, Gordon and Claude Goulet. 1996. Canada in the Americas: Assessing Ottawa's Behaviour. *International Journal of Canadian Studies*.

Mace, Gordon and Jean-Philippe Therien. 1996. *Foreign Policy and Regionalism in the Americas*. Boulder: Lynne Rienner Publ.

Mackenzie, David. 1994. Canada in the Organization of American States: The First Five Years. *Behind the Headlines*. Ottawa: Canadian Institute of International Affairs.

Mahoney, Kathleen. 1992. Human Rights and Canadian Foreign Policy. *International Journal*.

Martinez, Javier, and Alvaro Diaz. 1996. *Chile: The Great Transformation*. Washington: The Brookings Institution.

Matthews, Robert and Cranford Pratt, ed. 1988. *Human Rights in Canadian Foreign Policy*. Montreal: McGill-Queen's University Press.

McBrearty, Lawrence. 1997. *Trade Deal with Chile will repeat NAFTA's Mistakes* [on-line]. Common Frontiers. Available from http://www.web.net/~comfront/fairtrad.htm; Internet; accessed 7 June 1997.

McFarlane, Peter. 1989. *Northern Shadows: Canadians and Central America*. Toronto: Between the Lines.

McKenna, Barrie. 1996. Canada, Chile open bilateral trade talks. *The Globe and Mail*. 25 January.

McKenna, Peter. 1995. *Canada and the OAS: From Dilettante to Full Partner*. Ottawa: Carleton University Press.

Meller, Patricio. 1991. Adjustment and Social Costs in Chile During the 1980s. *World Development* 19, no.11: 1545-1561.

--------. *Adjustment and Equity in Chile*. 1992. France: Organization for Economic Cooperation and Development.

Mitchell, Chritopher. 1995. U.S. Policy Toward Western Hemiphere Immigration and Human Rights. In *United States Policy in Latin America: A Debate of Crisis and Challenge*. ed. John D. Martz. London: University of Nebraska Press.

Moran, Cristian. 1989. Economic Stabilization and Structural Transformation: Lessons from the Chilean Experience, 1973-87. *World Development* 17, no.4: 491-502.

Morgenthau, Hans J. and Kenneth W. Thompson. 1985. *Politics Among Nations: The Struggle for Power and Peace*. New York: Alfred A. Knopf.

Morrison, David. 1984-5 The Mulroney Government and the Third World. *Jouranl of Canadian Studies* 19, no.4: 3-15.

Munck, Gerado L. 1994. Authoritarianism, Modernization, and Democracy in Chile. *Latin American Research Review* 29, no. 2: 188-211.

--------. 1994. Democratic Stability and Its Limits: An Analysis of Chile's 1993 Elections. *Journal of Interamerican Studies and World Affairs* 36, no.2.

Munton, Don and John Kirton. 1992. *Canadian Foreign Policy*. Scarborough: Prentice-Hall Canada, Inc.

Murray, D.R. 1981-2. The Bi-lateral Road: Canada and Latin America in the 1980s. *International Joural* XXXVII: 9-12.

Nef, Jorge and Nibaldo Galleguillos. 1995. Legislatures and Democratic Transitions in Latin America: The Chilean Case. *Legislatures and the New Democracies in Latin America*. ed. David Close. Boulder: Lynne Reinner Press.

North, Liisa. 1990. *Between War and Peace in Central America: Choices for Canada*. Toronto: Between the Lines.

Nossal, Kim Richard. 1989. *The Politics of Canadian Foreign Policy*. Scarborough: Prentice-Hall.

--------. 1990-91. Canadian Sanctions Against South Africa: Explaining the Mulroney Initiatives, 1985-86. *Journal of Canadian Studies*25, no. 4.

--------. 1988. Out of Steam? Mulroney and Sanction. *International Perspectives*. 13-15.

--------. 1983-4.Analyzing the Domestic Sources of Canadian Foreign Policy. *International Journal* XXXIX, no.1: 1-22.

Ogelsby, J.C.M. 1976. *Gringos From the Far North*. Toronto: The Macmillian Company of Canada.

Oppenheim, Lois Hecht. 1993. *Politics in Chile: Democracy, Authoritarianism, and the Search for Development*. Boulder: Westview Press.

Oxhorn, Philip. 1995. *Organizing Civil Society*. Pennsylvania: Pennsylvania State University Press.

---------. 1994. Understanding Political Change After Authoritarian Rule: The Popular Sectors and Chile's New Democratic Regime. *Journal of Latin American Studies* 26: 737-759.

Paskey, Janice and Roberto Duran Sepulveda. 1996. Unlikely allies: Canada-Chile relations in the 1990's. *The FOCAL Papers*. Canadian Foundation for the Americas.

Pastor, Manuel. 1994. Mexican Trade Liberalization and NAFTA. *Latin American Research Review* 29, no.3: 153-173.

Paus, Eva A. 1994. Economic Growth through Neoliberal Restructuring? Insights from the Chilean Experience. *Journal of Developing Areas* 28: 31-56.

Petras, James and Fernada Ignacio Leiva. 1994. *Democracy and Poverty in Chile*. Boulder: Westview Press.

Petrash, Vilma E. 1996. *From Subregionalism to Inter-American Regionalism: NAFTA, MERCOSUR, and the "Spirit of Miami"*[on-line]. Available from http://www.powerandintegration.com/papers/Spirit.html; Internet; accessed 26 January 1997.

Porter, Roger. 1990. The Enterprise for the Americas Initiative: A New Approach to Economic Growth. *Journal of Interamerican Studies and World Affairs* 32, no.4: 1-13.

Potter, Evan. H. 1996-97. Niche Diplomacy as Canadian Foreign Policy. *International Journal*. 25-38.

Pratt, Cranford. 1996. Competeing Perspectives on Canadian Development Assistance Policies. *International Journal*. 335-357.

Rabkin, Rhoda. 1992-93. The Aylwin Government and 'Tutelary' Democracy: A Concept in Search of a Case? *Journal of Interamerican Studies and World Affairs* 34, no. 4: 119-179.

--------. 1996. Redemocratization, Electoral Engineering, and Party Strategies in Chile, 1989-1995. *Comparative Political Studies* 29, no.3: 335-357.

Redekop, Clarence. 1984-5. Commerce Over Conscience: The Trudeau Government and South Africa, 1968-85. *Journal of Canadian Studies* 19, no.4.

Remmer, Karen L. 1996. The Sustainability of Political Democracy. *Comparative Political Studies* 29, no.6: 611-634.

--------. "The Process of Democratization in Latin America." *Studies in Commparative International Development* 27, no.3 (1992-3): 3-24.

Richards, Donald. 1997. The Political Economy of the Chilean Miracle. *Latin American Research Review* 32, no.1: 139-159.

Robinson, David. *Interview*. December 19, 1997.

Rochlin, James. 1994. *Discovering the Americas: The Evolution of Canadian Foreign Policy Towards Latin America*. Vancouver: UBC Press.

Roett, Riordan, ed. 1993. *Political and Economic Liberalization in Mexico*. Boulder: Lynne Rienner Publishers.

Rudner, Martin. 1996. Canada in the World: Development Assistance in Canada's New Foreign Policy Framework. *Canadian Journal of Developmental Studies* XVII, no. 2:193-220.

Russell, Greg. 1994. Hans J. Morgenthau and the National Interest. *Society*. 81-84.

Schneider, Cathy Lisa. 1995. *Shantytown Protest in Pinochet's Chile*. Philadelphia: Temple University Press.

Schott, Jeffrey J. and Gary C. Hufbauer. 1992. Free Trade Areas, the Enterprise for the Americas Initiative, and the Multilateral Trading System. In *Strategic Options For Latin America in the 1990s*. ed. Colin Bradford. Paris: Organization for Economic Co-operation and Development.

Sheck, Conrad. et al. 1994. *The Americas in Transformation* [on-line]. Policy Staff Paper, Department of Foreign Affairs and International Trade. Available at http://www.dfait-maeci.gc.ca/english/foreignp/dfait/policy papers/94 06 e/s 5html; Internet; accessed 16 February 1997.

Silva, Eduardo. 1992-3. Capitalist Regime Loyalties and Redemocratization in Chile. *Journal of Interamerican Studies and World Affairs* 34, no.4: 77-107.

--------. 1996-7. Democracy, Market Economics and Environmental Policy in Chile. *Journal of Interamerican Studies and World Affairs* 38, no.4:1-29.

Silva, Patricio. 1990. Agrarian Change Under the Chilean Military Government. *Latin American Research Review* 25, no. 1: 193-205.

-------. Technocrats and Politics in Chile: from the Chicago Boys to the CIEPLAN Monks. *Journal of Latin American Studies* 23:385-410.

Skidmore, Thomas and Peter Smith. 1992. *Modern Latin America*. Oxford: Oxford University Press.

Smith, Peter ed. 1993. The Politics of Integration: Concepts and Themes. In *The Challenge of Integration in Europe and the Americas*. Miami: University of Miami, North-South Centre.

Spooner, Mary Helen. 1994. *Soldiers in A Narrow Land: The Pinochet Regime in Chile*. Berkeley: University of California Press.

Stanford, James. 1993. Continental Economic Integration: Modeling the Impact on Labor. *The Annals of the American Academy* 526.

Stevenson, Brian. 1992. *Domestic Pressures, External Constraints and the New Internationalism: Canadian Foreign Policy Towards Latin America, 1968-1990.* Kingston: Brian Stevenson.

The Canadian Foundation for the Americas. 1994. Toward A New World Strategy: Canadian Policy in the Americas Into the Twenty-First Century. *The FOCAL Papers*. Canadian Foundation for the Americas.

Tulchin, Joseph S., and Augusto Varas, eds. 1991. *From Dictatorship to Democracy.* Boulder: Lynne Rienner Publishers.

United Nations. 1996. *Economic Survey of Latin America and the Caribbean, 1995-1996.* Chile: United Nations.

United Nations. 1992. *Human Development Report*. New York: United Nations Development Programme.

Urquidi, Victor L. 1993. Free Trade Experience in Latin America and the Caribbean. *The Annals of the American Academy* 526: 58-67.

Valdes, Juan Gabriel. 1995. *Pinochet's Economists: The Chicago School in Chile.* Cambridge: Cambridge University Press.

Van Klavern, Alberto. 1993. *The Challenge of Integration: Europe and the Americas.* ed. Peter Smith. Miami: University of Miami, North-South Centre.

Waverman, Leonard. 1995. Post- NAFTA: Can the US, Canada and Mexico Deepen their Economic Relationship? In *Beyond Mexico.* eds., Jean Daudelin and Edgar Dosman.. Ottawa: Carleton University Press.

Weintraub, Sidney. 1994. *NAFTA: What Comes Next?* Connecticut: The Center for Strategic and International Studies.

--------. 1994. The Importance of Trade in the Western Hemipshere. *Journal of Interamerican Studies and World Affairs* 36, no.3: 57-174.

Weisskoff, Richard. 1991. Income Distribution and the Enterprise of the Americas Initiative. *Journal of Interamerican Studies and World Affairs* 33, no.4: 111-128.

Weyland, Kurt. 1997. Growth and Equity in Chile's New Democracy? *Latin American Research Review* 36, no. 1: 37-67.

Whitehead, Laurence. 1992. The Alternatives to Liberal Democracy. *Political Studies* XL: 146-159.

Wiarda, Howard J. 1993. The U.S. Domestic Politics of the U.S.-Mexico Free Trade Agreement. *The NAFTA Debate*. eds. M. Delal Baer and Sidney Weintraub. Boulder: Lynne Rienner Publishers.

Whalley, John. 1992. CUSTA and NAFTA: Can WHFTA Be Far Behind? *Journal of Common Market Studies* XXX, no.2 (June):125-141.

White, Bob. *Canada-Chile Trade Talks Provide Opportunity to Define New Model* [on-line]. Common Frontiers. Available at http://www.web.net/`comfront/newmodel.htm; Internet; accessed 7 June 1997.

Wynia, Gary W. 1984. *The Politics of Latin American Development*. Cambridge: Cambridge University Press.

Yotopoulos, Pan A. 1989. The (Rip)Tide of Privitization: Lessons from Chile. *World Development* 17, no.5: 683-702.