Canada–Uruguay Trade

Uruguay has not been a major trading partner of Canada, and Canadian investment there is low. The process of privatization and market orientation of the economy is proceeding slowly as President Lacalle Herrera faces opposition to reforms being accepted elsewhere in Latin America.

Uruguay recovered from the deep recession of 1982-85 as a result of structural changes. Its gross domestic product (GDP) grew at an annual rate of 6.7% in 1986-87 but deteriorated in 1990 to 0.9%, despite an excellent export performance.

The lower GDP growth is explained by protracted labour disputes in some important sectors, a severe drought, and adverse economic developments in neighbouring countries. These problems also contributed to an acceleration of the rate of inflation to about 128% in 1990.

The small demographic size of the Uruguayan market and the divergence of our two economies results in a limited and highly cyclical bilateral trade pattern. As the Uruguayan economy expanded during the mid-1980s, Canadian exports to Uruguay, though volatile, increased rapidly from only $5.1 million in 1985 to $26 million in 1989 before falling off to $19 million in 1990.

Canadian exports to Uruguay are dominated by commodities such as seed potatoes, newsprint and sulphur. Export figures depend on commodity market price variability and Uruguayan buying power. Canadian imports from Uruguay were valued at $79 million in 1989 and $45 million in 1990; gold, worsted and woollen fabrics, and leather were the main products.

There is growing Canadian interest in increased commercial activity. A business delegation accompanied the secretary of state for external affairs to Uruguay in September 1986 and Governor General Jeanne Sauvé visited Uruguay in February 1989.

Opportunities continue for Canadian exporters in specialized areas such as the agro-food industry, forestry and mining. Uruguayan plans to expand energy and telecommunications networks also offer good opportunities to sell equipment.

Uruguay's plans to privatize the national telephone and gas utilities and the state airline may bring opportunities in consulting services and equity investments for Canadian firms.

Although the government of Uruguay is concentrating today on controlling inflation by reducing public spending, it will eventually need to search for foreign capital and new technologies to expand and modernize its industrial base.

As is common in Latin America, Canadian firms have better success gaining a foothold in the market if they consider licensing or joint ventures.