



Statements and Speeches

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CANADIAN ECONOMIC RELATIONS WITH LATIN AMERICA

A speech by Mr. Jacques Gignac, Assistant Under-Secretary of State for External Affairs, at the Plenary Meeting of the *Forum das Americas*, Sao Paulo, Brazil, June 12, 1979

First of all, I would like to say how honoured I am to be given the opportunity to address such a distinguished audience from all parts of the continent and to bring you salutations from Canada, which I have the privilege of representing at this important congress. I would like to congratulate the organizers of the *Forum das Americas* for their valuable initiative as well as to thank them for their warm hospitality in their great country and this great city. I wish you well for the success of this meeting, which is a remarkable premiere. The economic integration of the continent is an enormously challenging task, for it has as its ultimate goal the development of all of the countries and people of Latin America and the Caribbean.

We had a general election in Canada last month, as you probably know. It brought about a change in our government with the victory of the Conservative Party at the polls on May 22, and a new Cabinet was formed on June 4. I am pleased to report that among her very first remarks to the press on June 5, our new Minister for External Affairs, the Honourable Flora MacDonald, stressed that the new government would give priority to relations with the Western world and especially to Latin American countries. Thus the momentum given by the former administration to our relations with Latin America will not only continue but can be expected to gather strength.

Indeed, Latin America and the Caribbean together constitute a key area of interest for Canada. One of the mainsprings of Canadian foreign policy over the past decade has been to intensify our relations with the countries of the hemisphere, to strengthen relations with the sub-regional groupings of these countries and to foster closer ties between Canadians and Latin Americans on a person-to-person basis.

Today I should like to make a few comments on my country's contribution to the economic integration of our continent and I should like to dwell first on the main features of our approach to Latin America, then on the multilateral and regional aspects of our relationship and our bilateral ties, with particular emphasis on trade and industrial development, investment and export financing as a means of international co-operation. Finally I want to emphasize the Canadian government's role in stimulating and supporting corporate ventures.

In the context of the theme of this conference, one of the main thrusts of Canada's relations with Latin America and the Caribbean region today is in the field of transfer of technology. This takes many forms and involves many sectors. Canada and Canadians are now engaged in many Latin American countries in activities of growing

importance to all of us, and I say all of us advisedly, because the transfer of technology is not just a unidirectional movement. It works both ways, to the advantage of Latin America as well as to the advantage of Canada. Allow me to provide a few examples. Canadians are now working on the ground in Latin America and the Caribbean area, helping out in programs and development where we have particular experience. This runs from dry-farm techniques, improved forestry, fishery, and mineral-prospecting techniques and railway planning and building to such complicated scientific and engineering endeavours as remote sensing, earthquake detection, hydro-electric power grids, heavy oil technology and nuclear energy. In return, our scientists have been impressed by and have benefited from Brazilian, Mexican and Colombian developments — to name a few countries — in such fields as special topographical and thematic mapping techniques, of particular value for mineral prospecting, soils and land use, which have been important to us in our quest for the development of our vast Arctic areas. Our scientists have also been putting to good use the excellent theoretical work coming out of Brazilian universities and research centres in the field of earth physics, notably geodesy, gravity and geodynamics. As I said, the current flows in both directions. In practical terms, Canadian technology is at present transferred to the countries of the Caribbean region and Latin America through two main channels: the Canadian International Development Agency, generally known as CIDA, and through the Inter-American Development Bank. The private sector is also involved in the flow.

Canada's financial participation in the IADB resources as of the end of 1977 involved a contribution of approximately \$700 million. Canada is also contributing \$127 million to the Fund for Special Operations, which enables the Bank to provide financial resources, on a long-term, low-interest-rate basis, for social-development projects. By use of complementary financing, the bank has channeled to date an additional \$145 million to Latin America from private banks, including three Canadian private banks — the Bank of Nova Scotia, the Royal Bank of Canada, and the Banque Canadienne Nationale.

CIDA's development assistance is concentrated mainly in the fields of agriculture, forestry, fisheries and hydro-electricity, where Canada has had long experience. In dollar amounts — \$75 million this year — the sums involved are not as large as those earmarked for the Inter-American Development Bank but are still respectable, considering that most Latin American countries have reached levels of development significantly higher than those found in other parts of the Third World.

In addition, Canada contributes multilaterally to the development of Latin America through United Nations bodies, through the World Bank, and through support for the projects of sub-regional organizations such as the Andean Pact. Canadian consultation with Latin American governments on multilateral questions takes place in world forums such as the United Nations, UNCTAD, IMF, GATT, and the UN Economic Commission for Latin America (CEPAL). In CEPAL, incidentally, Canada has been particularly active in its support of the Latin American demographic centre, which is heavily engaged in studies of population growth, a subject of great importance to the region.

If one of the main thrusts of Canada's relations with the Latin American countries generally is in the field of technological transfer, the main aspect of our bilateral relations is in the field of trade and commerce. Our trade relations with Latin America and the Caribbean region go back a long time. It might interest you to know that Canada was exporting wheat to the northern parts of New Spain during the early eighteenth century. We are still exporting wheat to Mexico today. We were exporting codfish to the Caribbean area at the same time and are still doing so.

Canadian exports to Latin America and the Caribbean have substantially increased in recent years, doubling between 1960 and 1970 and reaching over \$2.2 billion in 1978. These exports represented 4.7% of Canada's total exports worldwide, but I note that they also represented only 4.7% of Latin America's total imports of \$53 billion. In my view, this illustrates that our mutual trade could be vastly expanded.

The most important markets for Canadian exports in the area are Venezuela, Brazil, Mexico and Cuba. Argentina and Chile are gaining importance as trading partners for Canada also. Among the principal Canadian exports to Latin America are traditional resource-based commodities such as wheat, aluminium, asbestos and newsprint, but cement, metal-processing plants and consulting services are rising also.

Canadian imports from Latin America and the Caribbean totalled almost \$2.5 billion in 1978. This sum has risen rapidly in recent years due mainly to the substantial increase in oil prices. As a result of Canadian purchases of petroleum for Canada's east-coast market, Venezuela is now our third largest supplier after the U.S.A. and Japan. However, Brazil, Mexico and Cuba are increasingly important suppliers of coffee, fruit and vegetables, textiles and footwear, along with a growing range of machinery and automotive components. I find most interesting this rise in industrial exports and I have every reason to believe that it will grow in both directions in the future.

In another important area of our economic relations, Latin America is second only to the United States as a recipient of Canadian foreign investment. Canadian investors have long been established in many countries from Mexico to Argentina in a wide range of sectors and activities. Today, interest is growing among many small and medium-size Canadian firms in establishing joint ventures in Latin America as a means of mutual expansion and benefit. At the end of 1976, Canadian direct investment in the area totalled \$2.3 billion, of which \$1.2 billion was in Brazil alone.

Canadian private banks have had branches throughout the region since the turn of the century. Recently, they have been particularly active in making Euro-dollar loans to the Brazilian public sector as well as to private financial institutions. Their exposure in Brazil today is well over \$2 billion. They have traditionally participated in foreign bank consortia but increasingly they have been successful in becoming lead managers and agents for some large syndicated loans. As a small aside here, I am told that the largest Canadian branch bank anywhere in the world, including Canada, is to be found in Buenos Aires!

Private banks alone cannot always sustain the challenge of long-term loans, however, and this is where the Canadian government lends its assistance to Canadian exporters of goods and services as well as to Canadian investors. The Export Development Corporation is the commercially self-sustaining enterprise owned by the Government of Canada that provides financing and insurance to assist Canadian export trade. The Corporation offers a wide range of services in the field of long-term loans to foreign buyers of Canadian equipment and technical services as well as export credit insurance to Canadian firms.

It has been very active in the region since its inception in 1969. Most of the countries of Latin America and the Caribbean have reached the stage of development where export credit is essential. Through the EDC, Canadians have participated in the development of the oil-based economies of Mexico and Trinidad and Tobago, for instance. To ease the payment burden of increased energy bills, South American countries are now focusing their attention on resource-development projects. This suggests encouraging prospects for expanding ties with Canadian manufacturers, investors and consultants. Brazil, which is a large territory like Canada, is continuing to develop its vast hydro-electric potential and there would seem to me to be many opportunities for Canadian involvement in advanced engineering services as well as the manufacture of high-technology equipment in this field. Likewise in Chile, which is well endowed with hydro resources. The Corporation has also been active in Argentina with the financing of two major pulp and paper projects.

There have also been significant developments in the field of industrial co-operation recently. CIDA, for instance, has established an industrial co-operation program in order to stimulate increased participation by the Canadian private sector in industrial development through joint ventures both at home and overseas, as well as through other forms of business. Its basic approach is to identify and support ways in which the technology and resources of the Canadian private sector can be linked directly to industrial development needs. This program will encourage and foster entrepreneurial initiatives by businessmen both in Canada and elsewhere on a basis of mutual benefit. In addition, the Canadian government recently initialled an agreement for industrial co-operation with Mexico. With Brazil, one of the features of the Joint Brazil-Canada Economic Committee is a working group on industrial co-operation. I would hope to see more of this sort of activity in future.

Finally, and before closing this brief outline of Canadian economic and trade relations with Latin America, I think I should add a few words about the multilateral trade negotiations, which seem to me to be particularly relevant to the future of our relationship. Indeed, the future trading environment — both regional and global — will be significantly influenced by the results of these negotiations. They hold out the promise of expansion and greater liberalization of world trade and important improvements in the international trading framework, including better rules and procedures for dealing with non-tariff barriers. In addition to improvements in market access for most countries' exports, specific provisions have been designed to meet more fully the special needs and circumstances of the developing countries. An example of this is the advance implementation of Canadian tariff concessions on

tropical products. In Canada's view, the most important general benefit which should derive from the broad and substantial MTN settlement is the renewed confidence and stability which it should bring to the world trading system. To ensure that the benefits are realized, an important consideration will of course be the widest possible adherence to and implementation of the MTN results. Incidentally, all Latin American countries qualify under the Canadian generalized system of preferences for more favourable access to our market.

I think that I should point out here that although Canada is considered to be a developed country, it is sometimes forgotten that we are still developing our resources, importing capital and technology on a large scale. We thus share a number of problems in common with the developing countries of the continent and can see both sides of the equation. For instance, as an important exporter of machinery, equipment and other manufactured products, as well as of technology and private investment, Canada competes with other industrial countries for sales. Simultaneously, as a large producer and exporter of agricultural products, minerals and semi-processed goods, and as an importer of capital and technology, Canada shares with many developing countries great interest in stable marketing arrangements and equitable export prices. It is this dual set of characteristics that has made Canada particularly sensitive to the needs of the developing countries and to the ways in which industrialized nations can co-operate with them more closely. This circumstance, together with our own development experience, have given us a special feeling, a particular sensitivity to the needs and aspirations of the third world.

Canada has had the honour to co-chair with Venezuela the Paris Conference on Economic Co-operation, also called the North-South Dialogue. Although the end result has not been totally satisfactory for the developing world, nevertheless some positive results have emerged, especially the cancellation of the foreign debts of some of the poorest countries. The dialogue has now come back to the UN institutions, where it really belongs, in particular to UNCTAD whose deliberations ended in Manila at the beginning of this month. Although there were no spectacular achievements like the integrated program for commodities at UNCTAD IV, a consensus was reached on a resolution to examine protectionist measures and structural adjustment.

My remarks have come full circle. It is increasingly clear that the world is more than ever inter-dependent. All countries are inter-reacting more and more with each other, and this applies foremost to the countries of our hemisphere among themselves. We, in Canada, are particularly conscious of this since we must look outward beyond our borders if we are to maintain our economic vitality. Indeed nearly 25 percent of our GNP comes from trade and yet we have a relatively small internal market. We produce more than we consume. We have no choice but to be outward-oriented. We look forward in particular to closer and mutually beneficial ties with Brazil, one of the giants of the world, and with Latin America, an increasingly important region in world affairs.