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To Market, to Market

Canada's Long-term Trade Strategy

By Sarah McGregor

Brazil, China and India are being called the 'Big Three' emerging markets for having more attractive long-term investment and trade opportunities than any other parts of the world. Their potential was recognized by Paul Martin when he created as one of his first acts as prime minister a portfolio dedicated to securing a sizable chunk of these vastly growing economies.

"It's that rapid growth that represents opportunity to Canada," explains Gar Knutson, the first member of Parliament appointed as Minister of State for New and Emerging Markets when it was established in December 2003. "You take an economy that is fairly stable and growing at a much slower rate the relationships are already set. For instance, in Germany they already have their suppliers, their way of doing business. It's much more difficult to break into an established market. But an emerging market that represents new opportunities." The Martin administration's decision to send a trade mission to Brazil next week was made for no reason other than its convenient location nearby the APEC summit in Chile, according to International Trade Minister Jim Peterson.

Mr. Knutson, who lost his seat in the June election and was succeeded by Mark Eyking, completed the exploratory phase of the 'emerging market' tour during a nine-week visit to India, China, Central America and Brazil earlier this year. His findings will provide a strategic overview to ready Canada for diversifying beyond its robust trade relationship with the United States. A piece of the report will also be drawn from a series of roundtables announced by Mr. Peterson last month on the topic of accessing influential markets.

A framework based on these consultations and information from the field is expected in the new year, according to Andre Lemay, a spokesperson for International Trade. The final "concept" or "strategy paper" could suggest anything from pursuing more free trade agreements to conducting regular trade missions, he says. "Since NAFTA has proven to be such a success over the last 10 years or so even the naysayers have been recognizing the benefits of free trade agreements," he notes.

Currently, Brazil is Canada's largest trading partner in South America, with bilateral

exchange valued at \$2.89 billion in 2003, according to Foreign Affairs Canada. Mr. Knutson says Brazilian consumers who can afford it are keen to adopt Canadian expertise in food processing, agriculture technology, hi-tech communications and biotechnology systems, hydroelectric power plants, insurance business, and oil and gas exploration. He concedes that business dealings on these fronts will prevail even without the government publicly declaring market priorities. For instance, immigrants who have close ties to their home countries and speak the language are actively doing business. And Brazil is particularly attractive to some investors because time zone differences are just a few hours.

Florencia Jubany, senior analyst at the Canadian Foundation for the Americas (FOCAL) agrees. She says interdependency is happening at levels outside of government control.

"There is something very interesting going on between Canada and Brazil," she says. "The two societies not the political dialogue or heads of state are pushing themselves to a higher level." A dramatic increase in university-managed academic exchanges and renewed cooperation at the municipal level on how to manage basic services are just two strong partnerships formed without federal involvement, she says.

In truth, icy political relations arose over a seven-year gap since the last official Team Canada trade mission in 1998, headed by then-prime minister Jean Chrétien. In that time the two countries disputed over how to level the playing field for aircraft makers, given each government's subsidy programs for Canada's Bombardier and Brazil's Embraer. The relationship continued to sour when Brazil banned the importation of Canadian beef in 2001, fearing the spread of mad cow disease.

"My personal view is that it's only possible when you have a strong dialogues to isolate those irritants, and when there is no communication at the bureaucratic level it's impossible," says Ms. Jubany. Ms. Jubany argues that Brazil is an important partner because Brazilian President Luiz Inacio Lula da Silva holds sway at the multilateral level. Foreign policy and global cooperation will likely dominate a private session between the president and Mr. Martin next week.

Brazil has one of the widest gaps between the rich and poor in the world. Canada's development agency focuses on health and education through a \$26.6 million grant program in 1999. Mr. Knutson says development assistance is crucial in addressing structural problems, but says private sector growth is the only way to attain prosperity. "The pragmatic reality is that the best aid program is a healthy trade pattern... I think there is a broad-based consensus around that," says Mr. Knutson, a consultant with Borden Ladner Gervais in Ottawa.

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