



# FOCAL

Canadian Foundation for the Americas  
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## STRENGTHENING CANADA-MERCOSUR RELATIONS **MEETING REPORT**

**September 10-11, 2001, Ottawa, Canada**

The Canadian Foundation for the Americas (FOCAL) is an independent, non-governmental organization dedicated to deepening and strengthening Canada's relations with countries in Latin America and the Caribbean through policy discussion and analysis. FOCAL's mission is to develop a greater understanding of important hemispheric issues and to help build a stronger community of the Americas

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### **PARTICIPANTS**

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### **MEETING BACKGROUND**

On September 10 and 11, 2001, FOCAL, in collaboration with the Canadian Council for the Americas, York University, and Red Mercosur, held a forum on Strengthening Canada Mercosur relations at the International Development Research Centre in Ottawa.



The objective of the Forum was twofold: to create an ongoing space for policy dialogue around Canada-Mercosur relations, and to broaden domestic support for the deepening of relations. The 46 participants and observers who attended to the forum included researchers and government advisors from the Red-Mercosur, Canadian government officials, heads of key academic, research and policy centres, Canadian delegates to regional institutions, and private sector representatives from Canada and the Mercosur countries.

The workshop enabled the participants to engage in lively discussions about the key issues involved in the potential and limitations of Canada-Mercosur relations.

## MEETING SUMMARY

### Setting the context

Since 1991, Mercosur has evolved and developed into one of the major players on the international political and economic scene. While some progress has been made over the last 10 years, Mercosur is still facing several challenges. Increased macroeconomic stability is required to further deregulate the movements of goods, capital, and labour. The macroeconomic stability issue is paramount as foreign direct investment is the central factor in the common market, and the main objective of Mercosur is to expand its exports and open its markets to the world economy. Participants emphasised that Mercosur is as much about internal integration as it is about creating a united external economic front. In this respect, Mercosur remains a cohesive bloc with a very important internal agenda.

The Mercosur region is a very important to Canada both in terms of current affairs and future opportunities. Disputes in the last two years over the aerospace industries have created a climate harmful to bilateral relations with Brazil. With a cooling off of these events, bilateral relations will return to normal.

Participants confirmed that reinvigorating Canada-Mercosur relations would require each member to work together. A major hurdle towards deeper relations on the Canadian side is that Canadian companies, for instance, do not know how to do business in Mercosur countries. While the private sector is willing to intensify communications and identify bilateral priorities, help from the Canadian government would be needed to breach this knowledge gap.



### What is the potential for Canada-Mercosur relations?

Opinions as to the potential for deeper Mercosur-Canada relations are mixed. Some see great potential in increased Canadian investment and deeper business ties between the regions, others consider that the wounds caused by the Canada-Brazil trade disputes have had deep and long lasting effects on Canada-Mercosur relations.

Still, Canada-Mercosur relations do not have to start from scratch. The Trade and Investment Cooperation Arrangement (TICA) could, according to some, represent a real basis upon which to build and renew relations. In fact, dialogue between Canada and Mercosur up until now has been under the environment of the FTAA or the WTO, reinforcing TICA is considered as a necessary step to increase bilateral relations. For this purpose, Uruguay (which holds the Pro-Tempore Presidency of the Mercosur), has offered to schedule a TICA meeting before the end of 2001. This proposition was seconded by Canada and Argentina.

Participants shared a general concern about the state of current relations between Canada and Mercosur. Aside from the never-ending disputes between Brazil and Canada at the World Trade Organisation, the possibility of reaching a Canada-Mercosur trade agreement may be doubtful on two different grounds. First, FTAA negotiations constitute a “psychological barrier” that has replaced any effort to reach bilateral agreements with northern countries. This perception is especially strong in Brazil, where the goal is to strengthen the position of Mercosur prior to further negotiations with northern countries, especially with regards to continental integration. As for negotiations between Mercosur and the European Union, participants state that these will only be made under the WTO; hence, they will imply a very long process that combines various factors. Secondly, participants are unclear as to how much Canada could adapt to a new and different framework with Mercosur, while being part of North American Free Trade Agreement.



These difficulties notwithstanding, optimism as to the future of Canada-Mercosur relations can still be justified. In the case of the aerospace industries, participants argued that at the base, diplomatic disputes were allowed to reach such high levels mostly due to the lack of mutual knowledge and understanding between Canada and Brazil. Therefore, such a situation can be relatively easy to correct by increasing dialogue or creating awareness between these two nations. Moreover, from a business perspective, both regions have a lot to offer each other. The low level of trade

between Canada and Mercosur countries may be viewed as an opportunity for growth rather than a limiting factor.

### **Next steps for expanding Canada-Mercosur relations**

Once the potential areas for stronger relations have been identified, participants engaged in discussions on what the next steps for fulfilling this potential. It was proposed that means should be taken to increase mutual knowledge and understanding of the political and social contexts of each region. This should involve Non Governmental Organizations and Universities, which need to become more creative with respect to their existing international agendas. Moreover, communications at all levels must be increased to rejuvenate Canada-Mercosur relations. This will require commitment on the part of the public as well as private and non-governmental entities.

The Canadian participants believed that Mercosur is on their “radar screen” and there is a strong willingness to work to developing a new sense of collaboration, whether through TICA, the FTAA, or other commercial initiatives. It was also suggested that Canada could provide a balance in the FTAA negotiations. Strong relations already exist within sectors such as health, energy and agriculture. Many Canadians are involved in various kinds of projects in the region. The difficulty lies in developing those projects and relations into long-term ties. Relations between Canada and Mercosur should be a priority.

## **Action plan**

A session was held to bring the specific responsibilities, commitments, and future activities together into an action plan. During this session, the need for short and medium term initiatives was underlined, as well as the need to identify who would do what in these future initiatives. On the official front, governments agreed to reinvigorate the FTA negotiations through TICA. Uruguay committed to the preparation of the next TICA meeting before the end of 2001. Canada welcomed this proposition and Canadian officials would attend this meeting.

Participants from the voluntary sector judged that progress under TICA had limits and that other mechanisms should also be applied to deal with Canada-Mercosur relations. Non Governmental Organisations such as FOCAL, CCA, Red Mercosur, and CEBRI, committed to creating a working group on the interchange of ideas. This working group will identify cooperation areas, possible barriers, and will work together with the Ambassadors of Mercosur countries to find ways to overcome these barriers and move forward.

Along the same lines, other public institutions proposed that a web of relations be built to move on in identifying concrete initiatives and action plans. While governments can only play the role of coordinator, intensifying the search for opportunities, beginning with Small and Medium Enterprises, could provide assistance. Since agriculture is important to Canada and Mercosur, Argentina proposes that the harmonization of sanitary regulations should be pursued. Participants remained hopeful that the current “dispute mood” would soon disappear and in future relations between Canada and Mercosur would strengthen and grow.