

Growing Canada's relationship with Latin America's leading economy: Brazil

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In Oliver Stone's latest documentary film released in 2010, *South of the Border*, he tells the compelling story of a revolution underway in South America unknown to most of us. During his travels to five countries to explore the social and political movements, as well as the mainstream media's misperceptions of South America, Stone interviews seven of its elected presidents in casual conversations. The film sheds light on the growth of socialist left-wing governments in the region and the shifting political paradigm of Latin American socialism. The first half of the documentary primarily portrays the rise to power of Hugo Chavez, first elected as President of Venezuela in 1998, and the subsequent trials of his presidency, including a military coup in 2002 against his government with the tacit support of the United States government. Eduardo Porter, member of the NY Times Editorial Board speaks to the impact on Venezuela-U.S. relations in the film "Not only it (the coup) locked eternal enmity from the Chavez administration, it made it very difficult for anybody else in Latin America to like the United States." Award-winning journalist John Pilger further examines the history and role of Washington in America's manipulation of Latin American politics during the last 50 years in his documentary, *The War on Democracy*, released in 2007. Unlike our southern neighbour, Canada has not had an interventionist foreign policy as a middle power in the region. Thus, Canada can capitalize on our goodwill as a trustworthy trading partner. We can leverage our shared values of social development to enhance trade with Latin America and assist in its development.

Brazil is Latin America's leading economy. Further to being the largest country on the continent (47% of Latin America) and the fifth largest country in the world, it is also the fifth most populated nation on earth with a population estimated at 203 million people. Moreover, Brazil boasts very favourable demographics as it is a young nation with approximately 60% of Brazilians under the age of 30. It dominates the economy of South America with the region's highest GDP of \$2.172 Trillion (ninth largest in the world), more than all of the other Latin American countries combined, and nearly four times the size of the next largest economy on the continent, Argentina, with a GDP of \$596 Billion (ahead of Columbia (\$435B), Venezuela (\$345B), Peru (\$275B), Chile (\$258B) and Ecuador (\$115B)).

Canada has a rich history of trade with Brazil. We opened our first trade office there in 1866 and links were further forged in 1899 when a group of Canadian Businessmen, including William Mackenzie (owner of the Toronto Street Railway; precursor to the Toronto Transit Commission) founded the São Paulo Railway, Light and Power Company, with offices in Rio de Janeiro and São Paulo, to develop concessions granted for the development of electricity, electric street cars, a telephone system and gas and water utilities which subsequently became the largest light and power company in Brazil. It was followed by the acquisition of the Société Anonyme du Gaz in 1908 which led to the installation of the largest gas pipeline in the country. In 1912, the company was incorporated in Toronto as a public company to develop hydroelectric power operations and other utility services in Brazil and in 1969 became Brascan Limited, the predecessor company of

Brookfield Asset Management which now manages assets valued at more than \$120 billion, including \$15 billion in South America. Today, an estimated 400 Canadian companies operate in Brazil, Canada's 10th largest trading partner.

Canadian merchandise exports to Brazil totalled \$2.6 billion in 2010, up 60% from the year before, and included the following sectors: agriculture, mining, shopping centres (real estate), telecommunications, software, environmental industries and automotive parts, whereas Brazil exported \$3.3 billion worth of merchandise to Canada in the sectors of mining, steel, beverages, cement and software. Although bilateral trade last year with Brazil was significant at \$5.9 billion, it has much room for growth as compared to Canada's trade with Mexico which, at \$30 billion, is five times more important. Therefore, much more can be done to increase our trade with Latin America's leading economy.

During his trip to South America last August, Prime-Minister Harper signed a series of agreements to boost business ties and to increase the flow of goods and people between the two countries. These included an air transport agreement which both countries have agreed to make new air rights available to airlines, the first scholarships granted under the "Canada-Brazil Awards: Joint Research Projects" (Canada is now the number one study abroad destination for Brazilians and in 2010 approximately 16,000 Brazilians students came to Canada), a Canada-Brazil Strategic Partnership Dialogue that will serve as a forum between Canadian and Brazilian Ministers of Foreign Affairs, the opening of three new Visa Application Centres, and the creation of a Canada-Brazil CEO forum, with the appointment of Mr. Rick Waugh, CEO of Scotiabank, as Canadian co-chair. Brazil selected Mr. Murilo Ferreira, President and CEO of Vale S.A. (the company that acquired Inco) as its co-chair thus ensuring strong business leadership on both sides to help Canadian and Brazilian businesses grow bilateral trade and increase investment between the two countries.

Whilst Harper should be praised for his overtures to Brazil, Canada should remain proactive in growing Canada's relationship with Latin America's leading economy and diversifying our international trade to seek and grow new markets for Canadian goods and services that may help ensure our continued prosperity. In an ever increasing multi-polar world, reducing our reliance on trade with the U.S. makes sense in view of the declining prospects of the American market. Whereas Brazil's economy is a mere one sixth the size of our American neighbour, expanding Canada's trade with other BRIC nations such as India and China can keep our Canadian economy on the right track for continued economic growth.