

A TURNING POINT IN
CANADA
—
ARGENTINA
RELATIONS?

**Report of the Standing Senate Committee
on Foreign Affairs and International Trade**

The Honourable Raynell Andreychuk, Chair
The Honourable Percy E. Downe, Deputy Chair

May 2017



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CANADA

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ACKNOWLEDGEMENTS

The Standing Senate Committee on Foreign Affairs and International Trade (the “Committee”) has often undertaken studies of countries experiencing rapid political and economic changes, and that, with the objective to assess the potential for – as well as the specific opportunities arising from – greater bilateral relations for Canada. The Committee has concluded a number of studies to this effect in the past few years, notably on Brazil, India and Turkey.

The Committee at the same time has been closely monitoring developments within its own hemisphere. In this regard, with the change in political leadership in Argentina, the Committee felt that it was timely to turn its attention to that country. The Committee’s study explored the evolving regional as well as international presence of Argentina. Our final report highlights the political, economic and social opportunities which stand to be gained from stronger Canada-Argentina relations and includes seven recommendations to help leverage these bilateral as well as regional benefits.

As has occurred with its other studies and reports, the dynamic context in which the Committee examines such issues reinforces the critical role it plays in steering the attention of the Government of Canada on matters of high priority and prompting consequential policy alignment. Two such developments covered by the Committee’s work took place as this report was being finalized. In the first instance, following on the heels of this study, the Committee’s recommendation in its 2012 report on Canada’s relations with Brazil, and its earlier 1995 report on Free Trade in the Americas, on 1 May 2017, the Government of Canada launched public consultations with respect to the priorities for a possible free trade agreement with MERCOSUR, i.e. Argentina, Brazil, Paraguay and Uruguay. As this welcome initiative proceeds, the Committee’s recommendations to the Government of Canada in its February 2017 report on Canada’s free trade agreements bear repeating. More specifically, they underscore the importance of promoting transparency and inclusivity before, during and after the negotiation of free trade agreements among other steps in order to improve the effectiveness and benefits of such agreements as one tool for Canada’s economic prosperity.

The second development concerns the situation in Venezuela and which the Committee has monitored for some time. In the final weeks of this report, circumstances in that country have escalated as the Venezuelan government accelerated measures that further undermine democratic consolidation in that country as well as throughout the region. These measures include the proposal to amend Venezuela’s constitution to favour the regime’s interests, its continued bypass of the elected National Assembly, and the country’s withdrawal from the Organization of American States (OAS). As this and other reports point out, such events reinforce the primacy of



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the OAS as a vehicle for Canada's engagement in the region and for cooperating with Argentina and other regional partners to address hemispheric priorities.

On behalf of the Committee, I would like to thank the witnesses who appeared before us to share their invaluable insights and knowledge. They included government officials, academics, members of the diplomatic community and business leaders. A special thank you to the Government of Argentina, the National Congress of Argentina, the Legislature of the Autonomous City of Buenos Aires and the Canadian Embassy in Argentina for their assistance during the Committee's fact-finding mission to Buenos Aires.

We are also grateful to our analysts from the Library of Parliament, Natalie Mychajlyszyn and Pascal Tremblay, whose dedication and expertise is reflected in the pages of the forthcoming report. I would also like to thank our Committee clerk, Marie-Eve Belzile, and her predecessor Danielle Labonté, as well as our team of translators and interpreters, for their assistance in the realization of this report.

I wish to personally thank all members of the Committee, in particular members of our steering committee: Senator Percy Downe, Deputy Chair of the Committee, Senator Thanh Hai Ngo and Senator Raymonde Saint-Germain, for their guidance and carefully considered contributions to the report.

It is the hope of the Committee that the insights and recommendations included within this report are carefully considered by the Government of Canada and business and civil society actors alike, and reflected in future actions aimed at promoting strengthened Canadian engagement in Argentina.

Senator Raynell Andreychuk
Chair of the Committee



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ORDER OF REFERENCE

Extract from the *Journals of the Senate*, Tuesday, March 22, 2016:

The Honourable Senator Andreychuk moved, seconded by the Honourable Senator Runciman:

That the Standing Senate Committee on Foreign Affairs and International Trade be authorized to examine and report on recent political and economic developments in Argentina in the context of their potential impact on regional and global dynamics, including on Canadian policy and interests, and other related matters;

That the papers and evidence received and taken and work accomplished by the committee during the First Session of the Forty-second Parliament, as part of its study on foreign relations and international trade generally, as authorized by the Senate on January 27, 2016, form part of the papers and evidence received and taken for the purposes of this study; and

That the committee submit its final report no later than May 31, 2017 and that it retain all powers necessary to publicize its findings for 180 days after the tabling of the final report.

After debate,

The question being put on the motion, it was adopted.

Clerk of the Senate
Charles Robert

Extract from the *Journals of the Senate*, Tuesday, March 28, 2017:

The Honourable Senator Andreychuk moved, seconded by the Honourable Senator Greene:

That, notwithstanding the order of the Senate adopted on Tuesday, March 22, 2016, the date for the final report of the Standing Senate Committee on Foreign Affairs and International Trade in relation to its study on recent political and economic developments in Argentina be extended from May 31, 2017 to October 31, 2017.

After debate,

The question being put on the motion, it was adopted.

Clerk of the Senate
Charles Robert



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THE COMMITTEE



The Honourable
Raynell Andreychuk
Chair*



The Honourable
Percy E. Downe
Deputy Chair*

The Honourable Senators:



Salma
Ataullahjan



Patricia Bovey



Anne Cools



Jane Cordy



Dennis Dawson



Nicole Eaton



Marc Gold



Leo Housakos



Sarabjit
Marwah



Thanh Hai
Ngo



Victor Oh



Raymonde
Saint-Germain



Yuen Pau
Woo

Ex-officio members of the committee:

The Honourable Senator Peter Harder, P.C., (or Diane Bellemare)

The Honourable Senator Claude Carignan, P.C., (or Yonah Martin)



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The committee would like to recognize the following Honourable Senators who are no longer members of the committee whose contribution to the study was invaluable:



Janis Johnson



Michel Rivard



David P. Smith,
P.C. (Cobourg)

Other Senators who have participated in the study:

The Honourable Senators Beyak, Marshall, Martin, Omidvar, Poirier and Pratte

Parliamentary Information and Research Service, Library of Parliament:

Natalie Mychajlyszyn and Pascal Tremblay, Analysts

Senate Committees Directorate:

Marie-Eve Belzile, Clerk of the Committee
Debbie Larocque, Administrative Assistant

Senate Communications Directorate:

Marcy Galipeau, Chief, Committees and Outreach



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EXECUTIVE SUMMARY

This report presents the findings of the Standing Senate Committee on Foreign Affairs and International Trade (the “Committee”) on the opportunities for renewing Canada-Argentina relations as well as deepening Canada’s network in the Americas. In examining one of the most captivating countries in the hemisphere and one with tremendous leadership potential, the Committee was interested to learn more about Argentina’s efforts to move away from its “troubled century” and implement an “ambitious” program of political and economic reform. In this context, the Committee sought to take stock of converging values and interests between Canada and Argentina, and the new administration’s priority of reconnecting South America’s second largest economy with the world.

The report concludes that the Government of Canada should update its relationship with Argentina by developing strategies that deepen political and commercial bilateral relations and that foster constructive change for the benefit of the country’s and the region’s long-term stability and prosperity. The implementation of such strategies would reinforce the shared values of the two countries regarding governance, human rights, and openness to the world at a pivotal time in Argentina’s history. As relations intensify and “a new era in our relations with Latin America” opens up, Canada’s status as a compelling bilateral and regional partner would be increasingly secured. Equally important, Canada would be diversifying its political and commercial partners, a necessary objective that has become more prudent and urgent now than ever given the prevailing uncertainty about Canada’s existing trade relations and agreements.

The Committee is heartened that several of the messages and issues put on the table by its witnesses found an audience among official circles and had immediate effect to the Canada-Argentina relationship. In this respect, the Committee welcomes the November 2016 agreement between Prime Minister Trudeau and President Macri on a wide range of areas intended to strengthen ties between Canada and Argentina. However, although the agreement itself sends an important signal in their mutual intentions to deepen bilateral engagement, the Committee considers that it alone is insufficient to redirecting Canada-Argentina relations toward more mutually beneficial outcomes. First, to maximize its impact, the Committee stresses that the various elements of the agreement need to join up together and form a more complete, unified Canadian foreign policy strategy for Argentina. Second, in order to manifest Canada’s support for Argentina and reinforce positive trends in the region, the Committee emphasizes that Canadian policies need to be aligned with Argentina’s core political and economic priorities, including developing key commercial sectors, promoting social development and national unity,



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strengthening its economic fundamentals and, ultimately, creating a favourable climate for business and investment.

In this context, the Committee reiterates its message from its other reports: that Canada's engagement with countries and regions needs to be carried out consistently and strategically. It emphasizes that only by having a consistent presence can Canada align its policies with shifting trends from a position of confidence and strength. The Committee also firmly underlines that time is of the essence for updating Canada-Argentina relations. As the Committee encountered in other studies, the window of opportunities for deepening ties can narrow as competitors establish an early presence and quickly saturate the market. More emphatically, the Committee believes that Canada stands to lose the advantage unless it updates its Argentina and regional policies in a timely manner. By taking early action and showing itself to be a valued partner to Argentina, Canada stands to shape the relationship's direction for the long-term and to benefit Canadians in immeasurable political and commercial ways. The more and sooner Canada signals its willingness to partner with Argentina, the wider the opportunities will open up and the deeper the relationship will intensify.

The report offers seven recommendations to the Government of Canada to this effect. The recommendations touch on such areas as Canada's regional strategic framework, bilateral commercial relations, soft power and federal-provincial relations. The report also highlights proposals for deeper engagement in social development, institutional capacity-building and regional and global cooperation.

As "a country of the Americas," the Committee stresses the tremendous stakes for Canada of Argentina's shift in its domestic and foreign policies and of their favourable outcome. In light of Canada's hemispheric orientation, developments in Argentina and in South America are changing political and economic conditions in a manner that open up opportunities for furthering Canada's foreign policy and commercial goals. In order to reinforce the positive momentum generated by these developments, to take advantage of opportunities, and to mitigate challenges that arise, the Committee recommends that:

Recommendation 1:

The Government of Canada develop and update relevant bilateral and multilateral policies and frameworks, including the Strategy for the Americas and the Global Markets Action Plan, to reflect Argentina's changed priorities and to accommodate emerging regional trends.



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The Committee notes that neither Canada nor Argentina are the same countries that began to deepen their engagement in the 1990s. Indeed, global trade itself has changed to reflect wide-ranging opportunities and the complex linkages between trade in goods and services, investment, and supply- and value-chains. Such considerations need to be embedded in Canada's updated commercial policy towards Argentina. Those economic sectors that show the most promise for enhancing Canada-Argentina relations are exactly those in which Canada already has a strong engagement and which align with the Argentinian government's priorities. These include energy, especially clean energy and nuclear technology; mining, notably gold and copper; other extractive sectors, such as oil and gas; infrastructure; and agriculture.

In light of Argentina's energy requirements, the inefficiency of its energy subsidies, and concerns about its weak culture of energy conservation, the Committee underlines the positive impact on Canada-Argentina relations of partnerships to improve and build awareness of best conservation and energy efficiency practices. Capitalizing on Canada's leadership in the areas of clean energy and clean technology, the Committee recommends that:

Recommendation 2:

The Government of Canada expand its commitment with Argentina and share its expertise on clean technology and renewable energy, notably regarding solar, wind and hydro power. Canada and Argentina should also exchange ideas about incentives to improve conservation habits and partner to develop a communication strategy on energy efficiency for Argentinian consumers and industry.

The Committee affirms that Canada can play an important role in helping Argentina develop and modernize its mining potential and advance its economic development. Argentina is already Canada's third most important country in Latin America in terms of value of mining assets, primarily due to gold and copper activities, and boasts the fourth largest concentration of Canadian mining companies in South America. Additional opportunities to deepen cooperation exist with respect to Argentina's oil and gas industry and potash production. Canada's value to Argentina as a potential partner in mining is reinforced by its leadership in engineering, legal and financial, and other sector-specific professional and support services, as well as experience and knowledge regarding the development of regulatory frameworks across different jurisdictions that could be shared. That Argentina's mining opportunities exist in less developed parts of the country means that pursuing them could reinforce the government's regional economic development objectives more generally. Accordingly, the Committee recommends that:



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Recommendation 3:

In light of opportunities in the mining sector generally as well as in the oil and gas industry specifically, the Government of Canada create partnerships with Argentina that are based on the provision of relevant support services. In addition to increasing investment and sharing technology and technical know-how, partnerships should also be encouraged that share expertise with respect to regulatory frameworks and federal-provincial relations.

The Committee is convinced that Argentina's interest in integrating commitments related to corporate social responsibility (CSR) into its business culture in order to strengthen its attraction as a place for business offers another important opportunity for deepening bilateral ties. Reflecting the level of respect for Canada's leadership in this area and efforts to strengthen transparency and public confidence when incidents involving Canadian companies do occur, the Argentine-Canadian Chamber of Commerce has played an important role in promoting CSR practices. Building on these efforts, the Mining Association of Canada (MAC) and the Cámara Argentina de Empresarios Mineros (CAEM) have agreed to work together to raise CSR standards in Argentina by implementing the Towards Sustainable Mining (TSM) program developed by MAC. To sustain the momentum of these corporate social responsibility initiatives, and given the importance of the natural resource industry throughout South America and the mutual benefits to be gained, the Committee recommends that:

Recommendation 4:

The Government of Canada capitalize on the recently launched initiative between the Mining Association of Canada (MAC) and Cámara Argentina de Empresarios Mineros (CAEM) to support joint projects that promote corporate social responsibility more widely across the South American region and industries.

The Committee underscores the opportunities that exist for Canada to support and create partnerships with Argentina with respect to access to financing. It welcomes Canada's commitment to share its private-public partnership model, in particular for infrastructure investments, and its best practices in this area. The Committee also commends the level of support extended by Export Development Canada (EDC) to the almost 100 Canadian companies doing business in Argentina, notwithstanding the difficult conditions under which they operate. However, in light of the alignment of Canadian expertise with Argentina's priorities, the country's changing conditions and the growing level of interest in Argentina's economic opportunities, the Committee strongly believes that EDC's restrictive policy toward that country



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will impair any efforts to deepen Canada's commercial ties with Argentina and Canada-Argentina relations more generally. To avoid such a development, and to benefit especially Canadian small- and medium-sized enterprises (SMEs) and their supply-chain participation, the Committee recommends that:

Recommendation 5:

EDC undertake an immediate review of the service levels it provides to Canadian companies interested in the Argentinian market. This review should include an assessment of the value and benefit of establishing a presence in Buenos Aires for Canadian companies and for other potential Canadian commercial interests.

To underpin a closer relationship between Canada and Argentina, the Committee is convinced that greater efforts are necessary to strengthen mutual understanding and awareness, and people-to-people relations, in addition to facilitate the movement of people, including for business travel and tourism. The Committee heard about the high degree of interest in improving education cooperation, such as regarding student and faculty exchanges, as well as cooperation in innovation, science and technology, and research and development, notably regarding polar issues. It would also like to signal opportunities arising from Canada's 150th anniversary of Confederation for deepening cultural exchanges and mutual understanding between the two countries, such as through the visual and performance arts. The Committee also heard about the impediments resulting from the visa requirement for Argentinians generally travelling to Canada. Given the role that transportation links play in promoting stronger people-to-people as well as commercial ties, the Committee encourages the air transportation industry to examine the commercial benefits of opening a direct, non-stop route between Canada and Argentina to facilitate travel. It also invites Destination Canada (formerly the Canadian Tourism Commission) to consider including Argentina in their promotional work. The Committee believes that more specific direction is required and, in full recognition of education as a matter of provincial jurisdiction, particularly encourages the relevant education institutions in Canada and Argentina to increase their contacts with each other and explore opportunities for collaboration in order to anchor their mutual interests. The Committee strongly recommends that:



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Recommendation 6:

The Government of Canada together with the appropriate institutions and levels of government examine opportunities for a scholarship program that facilitates student exchanges between Canada and Argentina. It should also consider concluding concrete framework agreements on education cooperation, while remaining cognizant of the challenges relating to foreign credential recognition.

The Committee is convinced that parliamentary exchanges and the ties created through them can play a pivotal role in sustaining bilateral relations between Canada and Argentina. Indeed, activities such as this Senate committee study on Argentina-Canada relations and the meetings surrounding it both in Ottawa as well as in Buenos Aires, in addition to the establishment of inter-parliamentary friendship groups and connections made in multilateral parliamentary fora, continue the momentum in deepening engagement.

In light of Argentina's federal structure and the prominence of federal-provincial relations in Argentina in its political, economic and social reform programs, the Committee underscores that the Government of Canada's policy towards Argentina needs to reflect each country's federal structure and ensure that engagement is also carried out at the provincial level. Believing that their common experience with federal systems can be an important element of their partnership, the Committee recommends that:

Recommendation 7:

The Government of Canada offer assistance to Argentina as it examines options to reframe its federal-provincial framework and investigates new fiscal equalization formulas.

Issues related to social development, soft infrastructure and human capital – among them job creation and education -- also permeate across the policy priorities of the Macri administration and offer opportunities for building closer relations between Argentina and Canada. They also carry a strong regional dimension, more specifically, regional economic, employment and social inequality. Given the role of regional economic development agencies in Canada, the Committee proposes that the Government of Canada explore opportunities for establishing partnerships and synergies between Argentina's Plan Belgrano and Canada's suite of regional agencies that focus on economic development in the north, the Atlantic region, Québec, southern and northern Ontario, and the west.



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The Committee is also convinced that Canadian support for Argentina's democratic institutions would reinforce Canada's own value as a partner and serve as an important basis for building closer ties with that country as well as others in the region. Such support should focus on areas that strengthen Argentina's governance structures and values, including trust, confidence and integrity in order that it function effectively, deliver on its policies, and ultimately mitigate the volatility that in the past has undermined the country's politics, economy and society. In order to maximize resources and given the magnitude of the effort required, the Committee proposes that the assistance the Canadian government already has offered be coordinated among key donor countries and other sources. Given the important role that reliable statistics plays in shaping sound public policy and Argentina's past challenges in this area, the Committee underscores that collaboration between the two countries on governance structures include exchanges on capacity-building between Argentina's National Institute of Statistics and Census (INDEC) and Statistics Canada.

As Argentina reintegrates with the world and pursues its interests on that stage, the Committee underscores that Canada can revamp its bilateral relations with Argentina by undertaking regional and global initiatives, bilaterally and multilaterally, that build on the common interests and values of the two countries. The value of such cooperation and dialogue becomes evident in their support of Argentina's reintegration with the global community and their long-lasting consequences for the country's economic and social development. Such opportunities exist across a range of common regional and global concerns, including human rights, democratic consolidation, market access, drug trafficking, organized crime, migration, nuclear energy, arms control, natural disaster and humanitarian relief. Another possibility that stands out is combining efforts to implement Colombia's peace accord and promoting conditions for inclusiveness and long-term stability in that country. Opportunities also exist to strengthen engagement with other groupings in which Canada and Argentina have overlapping interests, such as the Pacific Alliance, and in promoting Argentina's application to the Organization for Economic Cooperation and Development (OECD) and supporting initiatives that sustain synergies among like-minded countries.

To capitalize on the potential dividends where its regional profile and an enhanced bilateral relationship with Argentina are concerned, the Committee is convinced that Canada should "step up" and do more to affirm its commitment to the Organization of American States (OAS). In so doing, it would be reinforcing the OAS as Canada's primary multilateral avenue for pursuing synergies, strengthening dialogue and values, and deepening networks with key countries in the region on matters of common concern. These countries include those with whom Canada's



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partnerships are evolving, including Mexico, Brazil, Colombia, Chile and Peru, and now Argentina.

Against this backdrop of regional and global dimensions to an enhanced Argentina-Canada partnership and in light of the Committee's ongoing examination of Canada's relations with Mexico, a particular focus on Mexico as a key piece of a revamped Canadian strategy becomes essential to complete this report. Indeed, the shared commitment among the three countries to democratic values, commercial and economic complementarities, and people-to-people ties serve as important mutually reinforcing drivers for an enhanced engagement that benefits them, the various multilateral fora that figure in their interactions, and a new era of hemispheric dynamics more generally.

As Argentina becomes a regional force, the Committee believes that Canada's relations with the country would also benefit from a focus on the shared value of human rights as a key area of collaboration, either bilaterally or in international fora such as through the OAS. Given its painful history under the 1976-83 military regime, Argentina's credentials as a regional leader reinforce the credibility of any multilateral initiatives that it may drive to ensure an international order that protects human rights. One area with potential for collaboration between Canada and Argentina exists with respect to mediating the political tensions and growing economic crisis in Venezuela and the ongoing plight of political opponents, a topic which this Committee has examined and continues to monitor.

In drawing attention to the opportunities and policies that it believes would encourage a more constructive engagement between Argentina and Canada, and notwithstanding the enthusiasm and progress made to date, the Committee cautions for a degree of measured optimism. Such advice is in large part a function of Argentina's history of political swings and their disruptive impact on economic policies. Indeed, Argentina's political path towards reform is narrow and fraught with the dilemma of finding the right balance between quick action in order to keep the momentum while also ensuring sustained support by proceeding more gradually. Other pressures that generate a risky political environment for the current administration relate to international developments and uncertainties about the global economic recovery, including the commodity market, as well as other regional dynamics. In this context, the degree to which the October 2017 mid-term congressional elections will show a continuity in the new consensus and support for the government's policies figures prominently. Unmitigated, these pressures can be consequential for an updated Canada-Argentina relationship.

The stakes, therefore, are as high as ever for Argentina's – and the region's – democratic consolidation and future economic prosperity. Canada, through a program of updated policies



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and guided by cautious optimism, can play a valuable role in encouraging favourable long-standing results and that would pay immeasurable dividends in the future.



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LIST OF RECOMMENDATIONS

The Committee recommends that:

Recommendation 1:

The Government of Canada develop and update relevant bilateral and multilateral policies and frameworks, including the Strategy for the Americas and the Global Markets Action Plan, to reflect Argentina's changed priorities and to accommodate emerging regional trends. (p. 21)

Recommendation 2:

The Government of Canada expand its commitment with Argentina and share its expertise on clean technology and renewable energy, notably regarding solar, wind and hydro power. Canada and Argentina should also exchange ideas about incentives to improve conservation habits and partner to develop a communication strategy on energy efficiency for Argentinian consumers and industry. (p. 29)

Recommendation 3:

In light of opportunities in the mining sector generally as well as in the oil and gas industry specifically, the Government of Canada create partnerships with Argentina that are based on the provision of relevant support services. In addition to increasing investment and sharing technology and technical know-how, partnerships should also be encouraged that share expertise with respect to regulatory frameworks and federal-provincial relations. (p. 32)

Recommendation 4:

The Government of Canada capitalize on the recently launched initiative between the Mining Association of Canada (MAC) and Cámara Argentina de Empresarios Mineros (CAEM) to support joint projects that promote corporate social responsibility more widely across the South American region and industries. (p. 33)



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Recommendation 5:

Export Development Canada (EDC) undertake an immediate review of the service levels it provides to Canadian companies interested in the Argentinian market. This review should include an assessment of the value and benefit of establishing a presence in Buenos Aires for Canadian companies and for other potential Canadian commercial interests. (p. 37)

Recommendation 6:

The Government of Canada together with the appropriate institutions and levels of government examine opportunities for a scholarship program that facilitates student exchanges between Canada and Argentina. It should also consider concluding concrete framework agreements on education cooperation, while remaining cognizant of the challenges relating to foreign credential recognition. (p. 39)

Recommendation 7:

The Government of Canada offer assistance to Argentina as it examines options to reframe its federal-provincial framework and investigates new fiscal equalization formulas. (p. 44)



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INTRODUCTION

In late 2015, Argentina experienced one of the most significant and historic election results in its and South America's history. For the first time, the candidate of a non-traditional political party won the presidential election when Mauricio Macri of the Pro Party defeated Daniel Scioli, the candidate of the ruling political party, ending its twelve years in government. President Macri's *Cambiamos* ("Let's Change") coalition and its emphasis on consensus-based moderate and "pragmatic" policies aim to reconnect the country with the world and promise to move South America's second largest economy away from what many saw as the "unsustainable" populist-style, divisive politics of the past. The expectations are that President Macri's plan will improve the country's stability and prosperity, and reinforce other positive dynamics in the region.

The Standing Senate Committee on Foreign Affairs and International Trade (the "Committee") undertook a study of these political and economic developments and their potential implications for Canada's engagement with Argentina as well as with the region. The Committee was particularly seized with determining the extent to and ways in which Canada should increase its engagement with Argentina, the bilateral and regional factors informing such a determination, and recommending the appropriate strategies to the Government of Canada.

The Committee concludes that Argentina's priorities offer tremendous opportunities by which Canada can revamp its bilateral relationship, deepen its network in the Americas, and advance its foreign and commercial interests more generally. Accordingly, the Government of Canada should take important steps and develop strategies that deepen political and commercial relations with Argentina. In doing so, the Government should show that Canada is a valued partner and supporter of Argentina's forward movement, which itself is highly dependent on the country's governance and successful management of its political and economic dynamics. By pursuing strategies that support Argentina in its transition and that promote the long-lasting beneficial effects of its plan beyond political shifts and elections, the Committee expects that Canada's partnership with Argentina will deepen, their shared values will continue to converge, and Argentina's presence and profile in the region will also strengthen. These outcomes are expected to lead to wider and more constructive networks of hemispheric and global cooperation across a full complement of topics and concerns.

This report presents the Committee's findings about Argentina's current situation, Canada's bilateral and regional stakes in the country's political and economic transition, and the means by which Canada can support Argentina during such a vulnerable yet ambitious time. It offers seven recommendations to the Government of Canada in such areas as Canada's regional strategic



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framework, bilateral commercial relations, soft power and federal-provincial relations, and also highlights proposals for deeper engagement in social development, institutional capacity-building and regional and global cooperation. By profiling these areas, the report invaluablely helps to strengthen the thin body of analyses and policy discussions about Argentina and will be of particular interest to Canadian foreign policy observers as well as other stakeholders, including political officials and business leaders, in Canada, Argentina and throughout the region.

In examining one of the most captivating countries in South America, the report builds on the Committee's record of studying key developments in our own hemisphere, promoting greater awareness among Canadians of the region, and reinforcing its importance for Canada's priorities. Indeed, given Argentina's intimate links with its neighbours and the broader dynamics at play in South America, the report's regional perspective is included out of necessity in order to offer a more complete understanding of the future of Canada-Argentina relations. In the context of so many considerable and recent developments in this part of the world, the present study also usefully serves as an update of its previous reports, notably on Brazil (2012) and Venezuela (2016),¹ that profiled from a regional perspective opportunities for Canadian partnerships and multilateral collaboration as well as concerns relating to effective governance, democratic consolidation, the rule of law and protection of human rights.

Following on its reports on China, India, Turkey and the Asia-Pacific region, this report is the latest contribution to the Committee's ongoing reflection on global political and economic dynamics, the emergence of new players and relationships, and their impact on Canadian interests and opportunities. In those studies, the Committee, like many others, was drawn to the countries' impressive economic figures and sought to carve out a strategy for Canadian engagement in the midst of a market saturated by our competitors. **This time, Argentina is just getting out of the starting blocks and the field of opportunities is as yet wide open. By taking early action and showing itself to be a valued partner to Argentina, Canada stands to shape the relationship's direction for the long-term and to benefit Canadians in immeasurable political and commercial ways.**

The Committee initiated its study in January 2016 soon after the new administration assumed office. As the study took off, the Committee is heartened that several of the messages and issues put on the table by its witnesses found an audience among official circles and had immediate effect to the Canada-Argentina relationship. At the highest level, Prime Minister Justin Trudeau

¹ Standing Senate Committee on Foreign Affairs and International Trade (AEFA), [Intensifying Strategic Partnerships with the New Brazil](#), May 2012; AEFA, [Perspectives on the Situation in Venezuela](#), June 2016.



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paid an official visit to Argentina in November 2016 during which he and President Macri agreed to collaborate in several areas that were already commanding the Committee's attention.² Indeed, the official visit was one of many exchanges between the two countries over the last year. They include the two high-level meetings that took place earlier in 2016 on the side-lines of different international events; the visit to Canada by Argentina's Secretary of Mining and the Secretary of Trade in March 2016 to attend high-profile events and trade fairs that focused on Canada's comparative advantages in commerce; and the visit to Ottawa and other cities by the Vice-President of Argentina, Gabriela Michetti, with a delegation of high-ranking Secretaries and business representatives in October 2016 in order to explore opportunities for deepening commercial ties.

As it followed these and other developments in Argentina generally, the Committee is convinced that, just as Canada and Argentina marked the 75th anniversary of bilateral relations in 2015, Argentina commemorated 200 years of independence from Spain in 2016, and Canada celebrates 150 years after Confederation in 2017, its choice of examining an emerging policy area that holds tremendous implications for Canada's foreign and commercial interests was insightful and extremely timely. In this respect, the Committee acknowledges Argentina's history of crises and past attempts at reform. Against this background, it underlines that, notwithstanding the sense of realistic enthusiasm, understanding and dedication on the part of Argentina's policy makers, legislators and other stakeholders of the measured pace required, many moving parts need to fit together in order for the plan to succeed this time. A large piece of the puzzle is already in place, with suitable credit given to President Macri and his team, provincial and municipal leaders as well as factions across the opposition spectrum who correctly gauged the shifting political landscape in Argentina and concluded that there was a strong desire for change and cooperation. How long the management of the political situation, the level of unity and other indicators will continue to offer favourable conditions for Argentina's reform, or whether a different route towards stability and prosperity will be followed, however, remains to be seen.

As a result of its hearings in Ottawa and a very informative five-day fact-finding mission to Buenos Aires in September 2016, **the Committee is confident that a revamped, constructive relationship that in part supports Argentina's efforts to achieve stability and prosperity for the long-term will offer tremendous benefit for both countries.**³ It is convinced that

² AEFA, Global Affairs Canada (GAC), 42:1, Issue no. 2, [17 February 2016](#); Her Excellency Norma Nascimbene de Dumont, Ambassador, Embassy of the Argentine Republic to Canada, 42:1 Issue no. 4, [14 April 2016](#); Prime Minister's Office, "[Prime Minister Justin Trudeau meets with President of Argentina Mauricio Macri](#)," News release, 31 March 2016; Prime Minister's Office, "[Prime Minister Justin Trudeau concludes successful first official visit to Argentina](#)," News release, 18 November 2016.

³ From February until October 2016, the Committee held ten meetings and met with 13 witnesses in Ottawa; it also embarked on a five-day fact-finding mission to Buenos Aires in September 2016 with over 20 meetings involving some 70 interlocutors.



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Argentina's forward momentum and all of its stakeholders, no matter the individuals or the political parties, would benefit from the sustained support and encouragement from countries like Canada. The more and sooner Canada signals its willingness to partner with Argentina at all levels of jurisdiction and across all communities, the wider the opportunities will open up and the deeper the relationship will intensify. As Argentina follows the road towards good governance and economic progress, themselves key elements of a prosperous, stable future, Canada's role as a bilateral and regional partner becomes more secure.

The Committee also reiterates its message from its other reports: **that Canada's engagement with countries and regions needs to be carried out consistently and strategically. It emphasizes that only by having a consistent presence can Canada align its policies with shifting trends from a position of confidence and strength.**

The Committee's findings are based on information and invaluable insight gathered from those on the front lines of Argentina's changes, including the Vice-President, the Chief Minister, the Ministers of Treasury and Finance, Energy and Mining, and Social Development, as well as the Secretary for Trade. The Committee also had two lengthy meetings in Ottawa and in Buenos Aires with over 25 senators and deputies from Argentina's National Congress representing both pro-government and opposition parties. The Committee also met with the cabinet-level chief of President Macri's *Plan Belgrano* for developing the country's poorest provinces; two successive Argentinian ambassadors to Canada; representatives of the Interior Ministry's Secretariat for Provincial Relations; elected officials from the Buenos Aires municipality; and the leadership of Argentina's newly established Investment and Trade Promotion Agency. The Committee also heard from high level officials from Global Affairs Canada (GAC), Export Development Canada (EDC) and the International Development Research Centre (IDRC); members of the diplomatic community; representatives of international financial institutions; numerous businesses and industry associations; analysts with a range of experience from Canada, Argentina and the region; civil society groups; and approximately 15 representatives from several of Argentina's labour unions, including the influential truckers' union and its secretary-general.

The report begins with an overview of Argentina's path to the new era ushered in by the December 2015 presidential election, with a particular emphasis on recent domestic and foreign policy developments. The next section lays out Canada's bilateral and regional stakes in these developments, before turning to recommendations to the Government of Canada about how it can engage Argentina constructively for mutual benefit. The report concludes with remarks about the high-risk political environment facing Argentina and related elements that should be taken into account as part of any Canadian strategy in that country.



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FRAMING THE ISSUE

The backstory to the overarching recommendation that Canada build a mutually beneficial, longstanding relationship with Argentina and support its efforts in political and economic restructuring and reintegration with the world touches on several elements relating to Argentina's profile, the history of the bilateral relationship with Canada, and the unfavourable conditions that effectively hampered its full potential.

A. Argentina's profile

The potential from Argentina's geography, demographic portrait and cultural wealth have attracted Canadian stakeholders for some time. Stretching approximately 4,000 km from its sub-tropical north to the sub-Antarctic south, Argentina has a surface area of 2.7 million km², making it the 8th largest country in the world and the 2nd largest country in South America after Brazil. Having been colonized by Spain in the early 16th century, it achieved independence in 1816. Settled by waves of European immigrants in the 19th and mid-20th centuries, its population of approximately 43 million people ranks 33rd largest in the world behind South Africa and Spain, and third largest in South America after Brazil and Colombia. Argentina's showcase of natural wonders, including the Iguazu Falls, its location as a key launchpoint for travel to the nearby Antarctic, and a world class food and cultural scene have provided it with a litany of attractions for tourists with a range of interests.⁴

These characteristics have combined to make Argentina the second largest economy in South America, with a nominal GDP in 2015 of more than US\$600 billion.⁵ In addition to its abundant gold and silver deposits, it is rich in natural resources, including oil and gas. Its extensive agriculture and livestock industries have made it a major food producer for domestic as well as international markets, notably regarding soya bean, wheat, wine and beef.⁶

B. Historic perspectives on Canada-Argentina relations

Canada's relationship with Argentina is longstanding, dating back to the establishment of diplomatic relations in 1940. Since then, relations between the two countries have developed in large part due to the similarities between the two countries and people-to-people ties. In this

⁴ Central Intelligence Agency (CIA), "Argentina," *The World Factbook*; AEFA, Sarah Purcell, 42:1, Issue no. 1, [4 February 2016](#).

⁵ The Economist Intelligence Unit, *Country Report: Argentina*, November 2016.

⁶ AEFA, Export Development Canada (EDC), 42:1, Issue no. 3, [10 March 2016](#); AEFA, Allan Culham, 42:1, Issue no. 1, [3 February 2016](#).



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respect, they share in common the opportunities and challenges arising from their federal systems, natural resource wealth, geographic size and large regions with low population densities, proximity to the respective poles, and cultural diversity, among others.⁷ Their people-to-people ties were also built up and reinforced by tourism, government-funded programs that promoted mutual awareness, and the many Argentines who found refuge in Canada from repressive governments and unfavourable conditions.⁸ Indeed, high-profile members of the Argentine community in Canada include award-winning medical researchers, Dr. Julio Montaner and Dr. Adolfo de Bold, as well as a Member of Parliament.⁹

Since Canada's first South American trade office opened in 1911 in the Argentinian capital, Buenos Aires, commerce – particularly in the mining, energy and agricultural sectors – has been a cornerstone of Canada-Argentina relations. Two milestones in their bilateral economic ties include the [1979 Air Transport Agreement](#) (entered into force in 1987 and updated several times since) and the [1991 Foreign Investment Promotion and Protection Agreement](#) (entered into force in 1993), which according to one witness, bolstered confidence in the country's business climate.¹⁰ Indeed, the Mining Association of Canada noted that the Canadian mining community was first drawn to Argentina in the 1990s given the growing awareness of its strong geological potential and the emergence of new constructive mining policies during that time.¹¹ In 1996, Canada and Argentina signed a [nuclear cooperation agreement](#) to anchor their partnership in the peaceful use of nuclear energy.

On the basis of such agreements and commonalities, by 2015, two-way trade amounted to nearly \$2.2 billion, of which \$1.9 billion was imports from Argentina. That same year, Canadian direct investment in Argentina tallied \$1.2 billion and Argentinian investment in Canada totalled \$15 million. In 2015, the most recent year for which data are available, Canada's services exports to Argentina amounted to \$194 million and its service imports equalled \$144 million.¹² As Allan Culham, the former Canadian ambassador to the Organization of American States, testified, “[T]here's a great continuum to our relations that we need to take into account.”¹³

⁷ GAC, [17 February 2016](#); Ambassador of Argentina, [14 April 2016](#).

⁸ AEFA, Pablo Heidrich, 42:1, Issue no. 1, [4 February 2016](#); GAC, [17 February 2016](#).

⁹ Ambassador of Argentina, [14 April 2016](#). Pablo Rodriguez was elected to the House of Commons in 2004, 2006, 2008 and 2015.

¹⁰ AEFA, Mining Association of Canada (MAC), 42:1, Evidence, [26 October 2016](#).

¹¹ MAC, [26 October 2016](#).

¹² Data are compiled from: Dylan Gowans, *Trade and Investment: Canada-Argentina*, Library of Parliament, 2016-63-E, 4 August 2016; Global Affairs Canada, [Annual Merchandise Trade](#); Global Affairs Canada, [Canada's International Trade in Services](#); Global Affairs Canada, [Argentina](#).

¹³ Culham, [3 February 2016](#).



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C. Argentina's "troubled century"

Notwithstanding this continuum, Argentina's domestic affairs, specifically its challenging political history and painful cycles of economic volatility, regrettably have conspired to create less than favourable conditions for realizing the full potential of the relationship.¹⁴ The Committee learned that, at one point in the first decades of the 20th century, Argentina was considered on par with Canada and Australia in terms of their levels of political and economic development and potential.¹⁵ Having followed a different path, however, Argentina's potential was compromised by the cumulative effect of its challenging politics and economic mismanagement, leading one Committee witness to refer to the last hundred years as the country's "troubled century."¹⁶ According to Eric Miller of the Canadian Global Affairs Institute and the Woodrow Wilson International Center for Scholars, "Argentina [is] a country with so much promise but [that] has consistently failed to deliver peace, order and good government to its citizens."¹⁷

Since it elected its first president in 1916, Argentina's civilian governments have alternated with military rule, thereby delaying the country's democratic consolidation for at least the next seventy years. Government policies also served to create longstanding divisions along ideological, socio-economic and political lines, prompting, in part, Argentina's seven military coups as well as regular and at times violent periods of social unrest and protest.¹⁸ These divisions were entrenched by the populist policies of Juan Perón's presidencies,¹⁹ which favoured state intervention in the economy and wealth redistribution, and benefitted his supporters, namely labour groups and the lower classes. The eponymous movement of Peronism was also flavoured by the political influence of his spouses: Eva Perón, who continues to be revered in certain circles today, and Isabel Martinez, who also served as President before being ousted in a military coup in 1976.

The last of Argentina's military regimes ruled from 1976 until it relinquished power in democratic elections held in 1983. The brutality and human rights abuses perpetuated by the

¹⁴ Ambassador of Argentina, [14 April 2016](#); AEFA, Eric Miller, 42:1, Issue no. 6, [5 May 2016](#); AEFA, Sergio Berensztein, 42:1, Issue no. 1, [3 February 2016](#).

¹⁵ AEFA, Argentine-Canadian Chamber of Commerce (ACCC), 42:1, Issue no. 7, [12 May 2016](#).

¹⁶ Miller, [5 May 2016](#).

¹⁷ Miller, [5 May 2016](#).

¹⁸ ACCC, [12 May 2016](#); Heidrich, [4 February 2016](#); Ambassador of Argentina, [14 April 2016](#). In 1930, the country experienced its first in a long series of military coups; civilian rule resumed in 1932, and was followed by another military coup in 1943. Other coups occurred in 1955, 1962 and 1966. In 1969, opposition to the government's economic policies led to riots in a number of cities, leading to the military seizing control of the government.

¹⁹ Juan Perón was President of Argentina from 1946 to 1955 (two successive terms), and from 1973-74.



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1976-1983 military government against its opponents stand out as some of the darkest periods in the country's living memory. This so-called "dirty war" resulted in "the most hideous human rights violations,"²⁰ including torture, forced labour, extra-judicial killings, and "death flights" of sedated individuals ejected from planes over Argentina's coastline. During the military regime's time in power, the number of people who "disappeared" is estimated at between 15,000 and 30,000. Many groups, such as the Grandmothers and Mothers of the Plaza de Mayo, were formed to resist the military regime and to obtain information about disappeared family members, including the children abducted by the military regime and illegally adopted by associates. The record of justice against the perpetrators has been uneven and with mixed results. Attempts to prosecute were undermined early on by the collusion among the abusers and their associates to remain silent about the events, until these efforts were invigorated by the public corroboration of two pilots involved in the death flights. While many of the high profile individuals have been convicted and sentenced to life in prison, the judicial proceedings of many others are still unresolved. Some detainees fled to countries abroad and from there filed complaints against the human rights abuses of the military regime. In order to honour and remember the victims of this regime and promote human rights and reconciliation more generally, a museum was established in 2004 on the site of one of the clandestine centres used by the military government for illegal detention, torture and executions.²¹ The Committee visited the museum during its fact-finding mission and gained an invaluable appreciation for how this traumatic period continues to influence Argentina's consciousness and identity forty years after the coup that brought the military to power; the visit also provided a more profound context for the current Argentinian government's emphasis on defending human rights in the region given the country's own experience with and living memory of the severest forms of human rights violations.

Argentina's history of political volatility essentially undermined efforts on the part of successive governments to manage the country's economy and to promote long-term prosperity for its citizens. Economic crises erupted on a regular basis, and policies swung dramatically between structural reform favouring austerity, currency reform and liberalized trade and the populist, protectionist policies of Peronism. In one instance, and in part to divert attention from a faltering economy, the 1976-1983 military regime launched in 1982 what some Committee witnesses described as an "absurd and fateful war"²² to reclaim the British-held Falkland Islands (Islas Malvinas) and defend Argentina's territorial sovereignty. The status quo unchanged at the

²⁰ Ambassador of Argentina, [14 April 2016](#).

²¹ More information on the museum, the Espacio Memoria y Derechos Humanos, can be accessed from its [website](#).

²² Ambassador of Argentina, [14 April 2016](#).



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conclusion of the two-month crisis, the campaign served instead to isolate Argentina internationally and created an irritant in its foreign relations that remains to this day.

In other instances, Argentina's periods of economic instability were marked by prolonged recessions, fiscal and current account deficits, runaway inflation (in 1989, it reached 4000%), mounting external debt, falling incomes, escalating interest rates and capital flight. Particularly disastrous for the short- and long-term was the 2001 banking sector's collapse and the country's default on its foreign debt. Such economic challenges were reinforced by persistent allegations of government corruption and concern for outstanding social and economic issues, such as poverty and unemployment.

The Kirchner Era

In this context, the Committee heard from witnesses that, in the most recent iteration of Argentina's turbulence, the Peronist rule of Nestor Kirchner, for a single term from 2003 to 2007, and his wife, Cristina Fernandez de Kirchner, for two terms from 2007 to 2015, culminated in the most serious economic crisis to face Argentina since the 2001 banking sector's collapse.²³ In effect, the record high commodity prices, on which depended the country's resource-based economy and the Kirchners' populist policies, dropped dramatically, resulting in a downward spiral of political and economic decline.²⁴

More specifically, the Kirchners' emphasis on state-interventionism, expansionary fiscal and monetary policies (notably, high social spending, public sector expansion, subsidies in energy and transportation) and protectionism (such as foreign exchange controls and export taxes, notably on mining and agricultural products) became, according to witnesses, "unsustainable."²⁵ By the end of 2015, the cumulated effect of their policies included double-digit inflation, slowing if not stagnant economic growth, a growing fiscal gap, high unemployment, capital flight, and declining foreign reserves.²⁶ The Kirchners' legacy also contributed to the troubling growth of an informal economy.

In efforts to belie the severity of the situation, Argentina's political institutions were increasingly compromised. The judiciary was reformed to make it more subservient to the executive branch and Congress' influence was circumvented with executive decrees. The Kirchner administrations

²³ Heidrich, [4 February 2016](#); AEFA, Cynthia Arnsion, 42:1, Issue no. 6, [5 May 2016](#); Purcell, [4 February 2016](#); AEFA, Daniel Kerner, 42:1, Issue no. 6, [4 May 2016](#).

²⁴ Berensztein, [3 February 2016](#); Purcell, [4 February 2016](#).

²⁵ Berensztein, [3 February 2016](#); Heidrich, [4 February 2016](#); Arnsion, [5 May 2016](#); ACCC, [12 May 2016](#); Kerner, [4 May 2016](#).

²⁶ Heidrich, [4 February 2016](#); Kerner, [4 May 2016](#); Arnsion, [5 May 2016](#); ACCC, [12 May 2016](#).



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were accused of manipulating economic and social statistics and of corruption.²⁷ According to Transparency International's *Corruption Perceptions Index 2014*, Argentina ranked 107th in terms of perceived levels of public-sector corruption, well behind Chile and Uruguay (21st), Brazil (69th) and Peru (85th).

In terms of regional and foreign policy, the Kirchners embraced relations with like-minded, populist governments in the region, for example, Hugo Chavez in Venezuela, as well as anti-Western axes such as Russia and Iran.²⁸ They also rigidly applied the principle of non-intervention, even in situations of human rights abuses in the region.²⁹

As Argentina's main economic stakeholders lost confidence and the obstacles to foreign investment and trade became entrenched, the country found itself increasingly isolated financially in international markets and "starved" for foreign investment.³⁰ In 2012, the government expropriated 51% of Argentina's largest oil producer, Yacimientos Petroliferos Fiscales (YPF), fuelling fears of wide-spread nationalization.³¹ Aggravating their deteriorating economic and fiscal situation, the Kirchner administrations were unable to settle Argentina's repayment of its restructured 2001 debt with American and other foreign creditors.³² The International Monetary Fund (IMF), finding Argentina's economic statistics unreliable, suspended its ties. By 2015, Argentina ranked 121st in the World Bank's measurement of ease of doing business, well behind Mexico (38th), Chile (48th), Peru (50th), Colombia (54th); of the strongest performing economies in the region, only Brazil ranked nearly as bad (116th). The Kirchners' growing authoritarian and divisive style and unpopularity among the middle and upper classes ultimately threatened an impending crisis and a continuation of Argentina's history of social instability and tenuous governability.

Canada and the Kirchner Era

Notwithstanding their bilateral linkages, established commercial ties and common interests, the severity of Argentina's instability and economic policies effectively "cooled" the relationship with Canada.³³ Canadian government officials testified that the protectionist policies of the Kirchner administrations raised significant barriers for Canadian exporters and investors.³⁴ The

²⁷ Heidrich, [4 February 2016](#); Kerner, [4 May 2016](#).

²⁸ Purcell, [4 February 2016](#); Miller, [5 May 2016](#); AEFA, Jean Daudelin, 42:1, Issue no. 8, [18 May 2016](#).

²⁹ Purcell, [4 February 2016](#).

³⁰ Arnsion, [5 May 2016](#); Heidrich, [4 February 2016](#); Purcell, [4 February 2016](#).

³¹ MAC, [26 October 2016](#).

³² Purcell, [4 February 2016](#); Culham, [3 February 2016](#).

³³ ACCC, [12 May 2016](#).

³⁴ EDC, [10 March 2016](#); GAC, [17 February 2016](#).



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Committee was told that some Canadian companies were even planning on withdrawing from the country entirely, while the potentially lucrative mining, oil and gas sectors saw their development stifled.³⁵ Export Development Canada (EDC), which has been covering Argentina from its offices in Brazil and Ottawa, told the Committee that, given “the number of adverse developments” related to Argentina’s economy and “the real barriers for Canadian exporters and investors,” it was maintaining a “responsive approach to business” in the country and operating on a “restricted basis.”³⁶

While commercial activities between the two countries continued, witnesses described them as “relatively modest” and “limited.”³⁷ In 2015, Argentina was only Canada’s 33rd largest merchandise trade partner. That same year, Argentina ranked 38th among all Canadian foreign direct investments and Argentinian investment in Canada ranked 44th. In terms of trade in services, in 2015, Argentina ranked 37th for exports and 42nd for imports.³⁸

Without the conditions in place to develop commercial opportunities, other elements in the relationship lagged. Witnesses confirmed that political relations were carried out among lower level officials; indeed, the most high profile Canadian official to visit Argentina in recent years was then-Foreign Affairs Minister John Baird in 2014. The Committee also was told that the Canadian government’s change in position in 2012 on the Falkland Islands from one of neutrality, and therefore satisfactory to the Argentinian leadership, to supporting self-determination of the residents “created a very difficult friction with the government.”³⁹ The then-Argentine ambassador in referring to this decade in Canada-Argentina relations said, “[T]here were big difficulties.”⁴⁰

The restrictive conditions and limited opportunities for developing Canada-Argentina relations become particularly evident when Canada’s political and economic engagement with other countries in the region over the same time period are taken into account. For instance, Canada’s relations with Brazil, the subject of the Committee’s study in 2011-2012 and a country with a similar profile to Argentina’s in terms of its promise as a potential partner for Canada, moved

³⁵ Standing Senate Committee on Foreign Affairs and International Trade (AEFA), Fact-finding mission to Buenos Aires, Argentina, 19-23 September 2016.

³⁶ EDC, [10 March 2016](#).

³⁷ EDC, [10 March 2016](#); Daudelin, [18 May 2016](#).

³⁸ Global Affairs Canada, [Canada’s International Trade in Services](#). In 2014, Argentina ranked 40th for total trade in services. Dylan Gowans, *Trade and Investment: Canada-Argentina*, Library of Parliament, 2016-63-E, 4 August 2016.

³⁹ Ambassador of Argentina, [14 April 2016](#). Prior to 2012, the official Canadian position on the ongoing dispute between Argentina and the United Kingdom (U.K.) over the jurisdictional status of the Falklands Islands (Islas Malvinas) was supportive of “efforts agreed to by both parties towards a peaceful resolution of the dispute.” The current position aligns with that of the U.K. and states that “only the inhabitants of the Falkland Islands can determine their own future.”

⁴⁰ Ambassador of Argentina, [14 April 2016](#).



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beyond a state of “benign neglect” and serious commercial irritants to becoming perhaps the most robust in the region. The depth of this relationship is evidenced by the fact that Brazil ranked as Canada’s 13th most important partner in trade globally in 2015, and 19th most important in services in 2014.⁴¹ It is also depicted in Brazil ranking as Canada’s 13th largest destination for foreign investment and 7th largest for inbound investment in 2015. It is also noteworthy that then-Prime Minister Stephen Harper visited Brazil in 2011, followed by Governor General David Johnston in 2012, among other high level Canadian officials. During these visits, several frameworks for cooperation were concluded to anchor ties between the two countries, including on science, technology and innovation, academic mobility, and education. Canada and Brazil also established a Strategic Partnership Dialogue. For its part, EDC maintains two offices in Brazil: in Sao Paulo and Rio de Janeiro.

Canada’s ties with other countries in the region also advanced during the same period. These include the conclusion of free trade agreements with Chile (brought into force 1997), Peru (2009), and Colombia (2011), as well as foreign investment promotion and protection agreements with Ecuador (1997), Venezuela (1998), Uruguay (1999), and Peru (2007). Air transportation agreements were also concluded or updated with Chile (2003) and Colombia (2012). EDC opened offices in Bogota, Colombia; Santiago, Chile; and Lima, Peru, describing them as key markets and offering a full range of services.⁴² Moreover, unlike Argentina, other South American countries such as Brazil, Colombia, Chile and Peru are featured in the Government of Canada’s [Global Markets Action Plan](#) as having “broad Canadian interests.”

⁴¹ Dylan Gowans, *Trade and Investment: Canada-Argentina*, Library of Parliament, 2016-63-E, 4 August 2016;

⁴² EDC, “[Colombia](#),” EDC, “[Chile](#),” EDC, “[Peru](#).”



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A NEW ERA IN ARGENTINA

The Committee heard unanimously from witnesses at its hearings in Ottawa and from key interlocutors in Buenos Aires that the election of the Macri government in Argentina has opened a new era for the country and that it holds tremendous implications for the future trajectory of its relations with Canada. In this context, Eric Miller described Macri's messages of reform, confidence and economic stability as "a much welcome break from the populism and destructive economic policies of the Kirchner years."⁴³

It bears emphasizing that, rather than suggest the disproportionate influence of one individual, Macri's election was symbolic of how competing political, economic and social principles coalesced around the idea that Argentina's "mess" and cycles of division and crises were nearing the point of being irreversible unless urgent and dramatic action was taken. The Committee heard from witnesses about the widespread agreement and support among key stakeholders for the changes and priorities launched by President Macri, including among the Argentinian people.⁴⁴ As one witness commented, "I think that the people have some issues they want solved, very clearly."⁴⁵

Indeed, Macri's consensus style of governing and coalition-building was repeatedly emphasized by witnesses to represent a departure from Argentina's past political divisions, as well as serving to encourage "ownership" of the reform program.⁴⁶ In part, the focus on consensus comes out of necessity since the Peronist faction of parties, albeit representing a wide arc of views from the left to the right, remains influential in Argentinian politics. In this respect, Macri's margin of victory over his Peronist rival was narrow (51.4% versus 48.6%), his party does not hold a majority in the National Congress, and several of Argentina's 23 provinces are governed by opposition parties.⁴⁷ Notably, therefore, half of the members of Macri's Cabinet belong to opposition parties.⁴⁸ According to Cynthia Arnson from the Woodrow Wilson International Center for Scholars, "There is an effort and a knowledge and an understanding by the government that it needs to build those coalitions behind key reforms."⁴⁹ Pablo Heidrich from

⁴³ Miller, [5 May 2016](#).

⁴⁴ AEFA, Fact-finding mission to Buenos Aires, 19-23 September 2016; Heidrich, [4 February 2016](#).

⁴⁵ ACCC, [12 May 2016](#).

⁴⁶ GAC, [17 February 2016](#); Berensztein, [3 February 2016](#); AEFA, Fact-finding mission to Buenos Aires, 19-23 September 2016.

⁴⁷ Berensztein, [3 February 2016](#); Purcell, [4 February 2016](#); GAC, [17 February 2016](#); Kerner, [4 May 2016](#); Heidrich, [4 February 2016](#); Ambassador of Argentina, [14 April 2016](#); Arnson, [5 May 2016](#).

⁴⁸ GAC, [17 February 2016](#).

⁴⁹ Arnson, [5 May 2016](#).



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Carleton University told the Committee that President Macri's effort in building support for his reforms by satisfying Argentina's entrenched values has included actions such as deficit spending to achieve his priorities and maintaining some of the previous administration's extensive social welfare programs, including the state ownership of companies that were nationalized.⁵⁰

Accordingly, President Macri and his administration appear to be simply harnessing the desire to move Argentina beyond its cycles of volatility and crisis and onto a path of political credibility and economic prosperity. The "ambitious"⁵¹ program to promote social and economic development as well as eliminate poverty focuses on such priorities as expanding sources of capital and investment, improving competitiveness and productivity, and strengthening governance and transparency among others, all while unifying the country and restoring confidence and trust in the political and economic system.⁵² Fundamentally, the list also includes ending Argentina's isolation, rebuilding its ties with key countries and economies, and ultimately opening up Argentina to the world.⁵³ Witnesses remarked on the President's team, including his cabinet members and other high-level staff, as representing a new generation and outlook to Argentina's political and economic situation.⁵⁴ In this respect, they consist of many individuals who reached political maturity in the aftermath of the debt crisis and gained valuable experience while working abroad and/or in the private sector. Several Argentinian officials told the Committee that they specifically returned from the diaspora because of their strong belief in and support for Argentina's current transition. That many key figures on the President's team, such as the Vice-President, the Foreign Minister, and the Social Development Minister, are women is also noteworthy.

As witnesses emphasized, the level of consensus about Argentina's priorities generated early results.⁵⁵ For instance, less than one month after the installation of the new administration, the National Congress approved "in record time" Argentina's repayment agreement with foreign creditors that had been pending since 2001-2002.⁵⁶ Cynthia Arnson stated, "I think it's striking that some of the strongest supporters of the deal with the holdouts were the members of

⁵⁰ Heidrich, [4 February 2016](#).

⁵¹ GAC, [17 February 2016](#); Berensztein, [3 February 2016](#).

⁵² Berensztein, [3 February 2016](#); Ambassador of Argentina, [14 April 2016](#); Miller, [5 May 2016](#); ACCC, [12 May 2016](#); GAC, [17 February 2016](#); AEFA, Fact-finding mission to Buenos Aires, 19-23 September 2016.

⁵³ Berensztein, [3 February 2016](#).

⁵⁴ AEFA, Fact-finding mission to Buenos Aires, 19-23 September 2016.

⁵⁵ GAC, [17 February 2016](#); Berensztein, [3 February 2016](#); Ambassador of Argentina, [14 April 2016](#); Kerner, [4 May 2016](#).

⁵⁶ Ambassador of Argentina, [14 April 2016](#).



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Congress, both House and Senate, from the *Frente para la Victoria*, the Peronist coalition that supported Cristina Fernández de Kirchner.”⁵⁷

In terms of creating “a more business-friendly environment in Argentina” in order to attract much-needed foreign investment capital, the Macri administration also moved quickly to eliminate currency controls and export taxes, and reduced or removed other import and export restrictions.⁵⁸ It also established the [Argentina Investment and Trade Promotion Agency](#), to provide an entry point for investors, to link up investors with multiples levels of government and ministries and with their priorities, and perhaps eventually, to become a regulatory facilitator.⁵⁹

In reflecting on the extent to which the reform efforts of the current Argentinian government, unlike its predecessors, will continue to generate meaningful results, observers commented that “this time, [the changes are] for real.”⁶⁰ According to Sarah Purcell, “This is a different kind of regime and a different kind of period. So I don’t necessarily think there’s going to be as much of a kind of repetition of the past as there has been.”⁶¹ Daniel Kerner agreed:

[W]e have a government that has a much more normal, modern and rational understanding of the way a modern country and modern economy works, and a much better understanding of what the problems in the Argentinian economy are and how to deal with them. ... The current government has been focused on trying to normalize Argentina’s economic and diplomatic situation ... , . The government has been moving decisively, trying to address this and move Argentina back into a normal situation.⁶²

A. Global Engagement and Changing Regional Dynamics

The Committee’s witnesses routinely highlighted the regional and global dimensions of Argentina’s recent developments in order to emphasize the broader consequences of the country’s shifting priorities and the forces at play.

In particular, they noted that Argentina’s new orientation is only one in a series of scenarios taking place across the region that collectively suggest significant changes may be afoot. These include in particular progress on the historic peace agreement to end Colombia’s fifty year civil

⁵⁷ Amson, [5 May 2016](#).

⁵⁸ Ambassador of Argentina, [14 April 2016](#); GAC, [17 February 2016](#); AEFA, Fact-finding mission to Buenos Aires, 19-23 September 2016.

⁵⁹ AEFA, Fact-finding mission to Buenos Aires, 19-23 September 2016; ACCC, [12 May 2016](#).

⁶⁰ ACCC, [12 May 2016](#); Culham, [3 February 2016](#); GAC, [17 February 2016](#).

⁶¹ Purcell, [4 February 2016](#).

⁶² Kerner, [4 May 2016](#).



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war.⁶³ Elsewhere, Chile, Mexico, Colombia and Peru formed the [Pacific Alliance](#) in 2011 to promote political and economic integration, among other efforts in the region to advance trade liberalisation and to stimulate economic growth and competitiveness.⁶⁴

In contrast to these encouraging signs of stability and prosperity, several others are potentially constraining for Argentina and the region.⁶⁵ For instance, the collapse of the commodity market has profoundly affected other resource-rich economies on the continent, including Brazil and Venezuela. Brazil, an economic and regional powerhouse just a short time ago and, together with Russia, China and India, a member of the BRICs club of fast-rising economies, has entered into a recession, on top of which its populist government has been weakened by political scandals, accusations of fraud and corruption and a presidential impeachment. Such distractions are particularly troubling for Argentina at this vulnerable time in its own economic recovery ambitions given that Brazil is Argentina's largest trading partner.⁶⁶ According to figures provided by the Argentine-Canadian Chamber of Commerce, "three or four years ago Brazil represented about 23 per cent of our exports. [In 2015], Brazil reduced its participation to 17 per cent, and this year it represented about 15 per cent of exports."⁶⁷ In the midst of its own "cataclysmic" economic collapse, deep political divisions and an imminent humanitarian crisis, Venezuela's populist government is facing increased scrutiny for its worsening human rights record and weak commitment to democratic principles, as evident in the imprisonment of political opponents and the politicization of the judicial process in that country.⁶⁸

Concerns have also intensified about the future of the regional customs union, *Mercado Común del Sur* [Southern Common Market] (MERCOSUR), of which Argentina, Brazil and Venezuela are the three largest economies, and about its agenda for expanding trade relations, including a free trade agreement with the European Union.⁶⁹ Such concerns arise in part from the serious economic pressures these three countries are simultaneously facing. In another respect, Venezuela's continuation in the union has become uncertain because of its weak commitment to

⁶³ Agreement on a peace accord between the Colombian government and the Fuerzas Armadas Revolucionarias de Colombia [Revolutionary Armed Forces of Colombia] (FARC) rebels was reached in August 2016, only to be rejected by the Colombian people in a referendum held 2 October 2016. The peace accord was subsequently renegotiated and released 12 November 2016; on 30 November 2016, Colombia's Congress ratified the agreement.

⁶⁴ Culham, [3 February 2016](#).

⁶⁵ Purcell, [4 February 2016](#); Ambassador of Argentina, [14 April 2016](#); GAC, [17 February 2016](#).

⁶⁶ Berensztein, [3 February 2016](#); EDC, [10 March 2016](#); Daudelin, [18 May 2016](#); ACCC, [12 May 2016](#).

⁶⁷ ACCC, [12 May 2016](#).

⁶⁸ Culham, [3 February 2016](#); Purcell, [4 February 2016](#).

⁶⁹ In 1991, Argentina, Brazil, Paraguay, and Uruguay signed the Asunción Treaty agreeing to the creation of a common market on 1 January 1995. Known as Mercosur (Mercado Común del Sur), its aim is to eliminate internal tariffs and to set up common external tariffs. Venezuela formally joined the group in 2012. Kerner, [4 May 2016](#); Berensztein, [3 February 2016](#).



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democratic principles, trade and human rights. As a result of its record, not only was Venezuela prevented from assuming MERCOSUR's rotating six-month presidency in July 2016, but in December 2016 the other members also suspended its rights as a member of the bloc. Such developments reinforce criticisms related to MERCOSUR's limited achievements, dysfunction, and self-imposed restrictions on third-party bilateral trade agreements.⁷⁰

Given the region's interdependencies and Argentina's plans for reform and recovery, the Macri administration has tremendous stakes in promoting a stable, prosperous region that is based on common values related to democracy, free market principles and human rights, and that is populated with like-minded, reliable neighbours. Accordingly, the Macri administration's regional policy looks to strengthen Argentina's relations with its partners and neighbours, and to position Argentina as a "constructive partner in hemispheric affairs."⁷¹ Witnesses testified that these efforts have been facilitated in part by the positive reception accorded Argentina's ambitions by many of its neighbours.⁷² In this respect, Brazil's new president, Michel Temer, visited Argentina in October 2016 and met with President Macri to discuss common approaches to MERCOSUR and trade, in addition to bilateral relations more generally.⁷³ Argentina also joined the Pacific Alliance as an associate member.⁷⁴

Pointing to the "vacuum of leadership" arising in part from Brazil's own situation, witnesses testified that President Macri has shown a willingness for Argentina to take on a greater leadership role in South America to ensure that the region – and his country – move in the right direction.⁷⁵ According to Cynthia Arnson, "I think Macri is doing all the right things and is already playing an important and almost, in certain ways, unprecedented political leadership role in the Americas."⁷⁶

In addition, witnesses testified that Argentina's shift toward a more pragmatic, market-oriented framework and subsequent reinforcing influence on emerging regional trends lend credibility and legitimacy to its emergence as a potential regional leader.⁷⁷ Pablo Heidrich remarked, "From that

⁷⁰ Kerner, [4 May 2016](#); Arnson, [5 May 2016](#); Miller, [5 May 2016](#); Daudelin, [18 May 2016](#); Berensztein, [3 February 2016](#); Purcell, [4 February 2016](#).

⁷¹ Berensztein, [3 February 2016](#); Ambassador of Argentina, [14 April 2016](#); Miller, [5 May 2016](#); GAC, [17 February 2016](#).

⁷² GAC, [17 February 2016](#).

⁷³ "Macri and Temer reaffirm commitment to strengthen MERCOSUR," *Mercopress*, 4 October 2016.

⁷⁴ Purcell, [4 February 2016](#); GAC, [17 February 2016](#); Arnson, [5 May 2016](#).

⁷⁵ Berensztein, [3 February 2016](#); Purcell, [4 February 2016](#); Arnson, [5 May 2016](#); Kerner, [4 May 2016](#); Heidrich, [4 February 2016](#).

⁷⁶ Arnson, [5 May 2016](#).

⁷⁷ Berensztein, [3 February 2016](#).



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point of view, Argentina is, in some ways, a canary in the mine.”⁷⁸ Indeed, many witnesses suggested that such a trend might already be spreading to countries like Brazil. Together with the collapse of the commodity market, such developments are serving to build consensus and possibly entrench the market-friendly and open trade principles, even changing the landscape in South America almost unrecognizably so.⁷⁹ According to Daniel Kerner:

It is something that we are going to see and are seeing in many Latin American countries, but it is happening in Argentina at a faster pace and with certain characteristics that make it an interesting case. You not only have a new government with a different orientation, but you have a paradigm shift in terms of how the government works and views the economy and the world.⁸⁰

In one key aspect of Argentina’s emerging leadership in the region, witnesses highlighted President Macri’s effort at building common values that challenge the region’s tradition of non-intervention, “defensive national sovereignty,” and culture of remaining silent on human rights abuses and the violation of democratic principles.⁸¹ In this respect, Argentina has joined with Uruguay in vocally condemning Venezuela’s human rights abuses.⁸² As Cynthia Arnson testified, “I think Macri is to be applauded for taking this leadership role [regarding human rights and democratic institutions] and really becoming a powerful voice from the hemisphere in pushing for political reform.”⁸³

As the Committee heard unanimously from its witnesses, progress on the Macri administration’s entire agenda of stability and prosperity relies in large part on opening Argentina up to trade and foreign investment and integrating it more deeply in supply- and value-chains.⁸⁴ Accordingly, in order to sell the message of a new and open Argentina, soon after taking office President Macri attended the World Economic Forum in Davos, the first time in twelve years that an Argentinian head of state did so.⁸⁵ In addition, within his first year in office, he represented Argentina at the 2016 Nuclear Security Summit in Washington, D.C., addressed the United Nations General Assembly during its annual session in September 2016, announced that Argentina was applying

⁷⁸ Heidrich, [4 February 2016](#).

⁷⁹ Heidrich, [4 February 2016](#); Daudelin, [18 May 2016](#); ACCC, [12 May 2016](#); Purcell, [4 February 2016](#).

⁸⁰ Kerner, [4 May 2016](#).

⁸¹ Purcell, [4 February 2016](#); Arnson, [5 May 2016](#); Miller, [5 May 2016](#).

⁸² Purcell, [4 February 2016](#); GAC, [17 February 2016](#); Arnson, [5 May 2016](#); Heidrich, [4 February 2016](#); Berensztein, [3 February 2016](#); Daudelin, [18 May 2016](#); Culham, [3 February 2016](#).

⁸³ Arnson, [5 May 2016](#).

⁸⁴ Kerner, [4 May 2016](#); Ambassador of Argentina, [14 April 2016](#); ACCC, [12 May 2016](#); Daudelin, [18 May 2016](#); AEFA, Fact-finding mission to Buenos Aires, 19-23 September 2016.

⁸⁵ GAC, [17 February 2016](#); Purcell, [4 February 2016](#).



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to join the Organization for Economic Cooperation and Development (OECD), and participated in the G20 Summit in Hangzhou, China. In a clear sign of Argentina's new approach, the country will host the G20 in 2018.⁸⁶ These activities are in addition to the numerous high-level visits (i.e., presidents, prime ministers, foreign ministers) and exchanges with the United States, France, Italy, Brazil, Uruguay, Chile, Spain and the European Union, among others.⁸⁷ As officials from Global Affairs Canada remarked in the early days of the new Argentinian administration, “[I]n terms of international relations and in terms of an openness to engage internationally, this is night and day from what we saw just a couple months ago.”⁸⁸

⁸⁶ Ambassador of Argentina, [14 April 2016](#).

⁸⁷ Daudelin, [18 May 2016](#); Ambassador of Argentina, [14 April 2016](#); Berensztein, [3 February 2016](#); Heidrich, [4 February 2016](#); AEFA, Fact-finding mission to Buenos Aires, 19-23 September 2016.

⁸⁸ GAC, [17 February 2016](#).



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CANADA'S STAKES

In light of the encouraging changes in Argentina and in the region, witnesses stressed the promising prospects for a mutually beneficial, long-standing relationship between Argentina and Canada. They emphasized in particular the alignment of the Macri administration's priorities with Canadian bilateral and multilateral interests and the opportunities for partnership that are opening up as a result.⁸⁹ According to officials from Global Affairs Canada, "President Macri has said and done the right things. ... The signs are positive. There will be opportunities, and there are opportunities."⁹⁰ According to the Argentine-Canadian Chamber of Commerce:

[W]e see a huge synergism happening today in both of our countries, similar processes with significant government changes, with new leaders who seem to have a common agenda in many areas, such as transparency, diversity, climate change and several other areas that are very clear. We understand that there is a huge opportunity, having an alliance, in the way that the government is moving forward to, again, reinvigorate the relationship between both our countries.⁹¹

To capitalize on these prospects, the Committee is convinced that Canada needs an updated relationship with Argentina, a country that shares many Canadian values, mirrors our size and federal structure, and is demonstrating its potential as a partner for promoting regional stability and prosperity. In particular, the Committee underscores **the need for value-added policies and partnerships that foster constructive, longstanding change in Argentina during this consequential period in its history.** As Susan Purcell, former Director, Center for Hemispheric Policy, University of Miami, noted:

When you get a president — ... — who is committed to democracy and human rights and, to a certain extent — ... who is willing to be outspoken, ... — I would try to be as supportive as possible in strengthening Argentina's democratic institutions. ... just think it would be helpful to Macri if a country like Canada took — they don't have to be expensive initiatives — but sort of wave the flag a little bit and say, "We support you, and we would like to be of help in whatever kinds of pro-democratic, pro-human rights initiatives that you would like to undertake."⁹²

⁸⁹ Culham, [3 February 2016](#); Ambassador of Argentina, [14 April 2016](#); Purcell, [4 February 2016](#); Daudelin, [18 May 2016](#).

⁹⁰ GAC, [17 February 2016](#).

⁹¹ ACCC, [12 May 2016](#).

⁹² Purcell, [4 February 2016](#).



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As “a country of the Americas,” the Committee stresses the tremendous stakes for Canada of Argentina’s shift in its domestic and foreign policies and of their favourable outcome. Indeed, the Government of Canada already has several frameworks in place that manifest its hemispheric orientation and for which Argentina’s changes would be consequential. These frameworks primarily entail the Government of Canada’s [*Strategy for Engagement in the Americas*](#) which emphasizes three overarching goals that are directly linked to the regional trends highlighted by the Committee’s witnesses:

- increasing Canadian and hemispheric economic opportunity;
- addressing insecurity and advancing freedom, democracy, human rights and the rule of law; and,
- fostering lasting relationships.

They involve as well the Government of Canada’s [*Global Markets Action Plan*](#) that identifies targeted Canadian business priorities and opportunities in the hemisphere. Moreover, in 2011, the Canadian government launched exploratory discussions to enhance its trade relationship with MERCOSUR. In addition, Canada has been an active, full member of the Organization of American States (OAS) since 1990, the most inclusive multilateral intergovernmental organization in the region.

In light of these frameworks and Canada’s hemispheric orientation, developments in Argentina and in South America are changing political and economic conditions in a manner that open up opportunities for furthering Canada’s foreign policy and commercial goals. **In order to reinforce the positive momentum generated by these developments, to take advantage of opportunities, and to mitigate challenges that arise, the Committee recommends that:**

Recommendation 1:

The Government of Canada develop and update relevant bilateral and multilateral policies and frameworks, including the Strategy for the Americas and the Global Markets Action Plan, to reflect Argentina’s changed priorities and to accommodate emerging regional trends.

In outlining Canada’s stakes and proposing actions to be taken by the Government of Canada, **the Committee affirms that both the bilateral and multilateral dimensions need to be taken into account.** More specifically, given their intricate inter-linkages, neither bilateral policies regarding Argentina nor multilateral approaches more generally can be understood or developed



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independently.⁹³ Moreover, any updated policies that include both aspects also will result in mutually reinforcing synergies. As Allan Culham testified, “It is not either/or; in fact, the multilateral cannot be effective without solid bilateral relations with the individual countries.”⁹⁴ Officials from Global Affairs Canada concurred that “[i]n order to be effective multilaterally, we need strong bilateral relations.”⁹⁵

Thus, given its growing profile in the region, witnesses concurred that Argentina presents itself to be an invaluable potential asset for Canada’s multilateral approach, possibly leading to “a new era in our relations with Latin America.”⁹⁶ In this respect, Susan Purcell in particular emphasised the appeal of having Argentina as a necessary contact point to capitalize on the changes to come in the region.

[Y]ou’re going to have a very big trade market down there in terms of the Pacific Alliance countries. If or when Brazil changes course, you’re going to have a big market there. You’re going to have a group of the largest democracies in the region, and, of course, the commodities boom doesn’t last forever. ... [I]t seems now with your new prime minister it would be a perfect time to start forging these contacts not only in Argentina but in some of the surrounding countries, so that you will have these contacts when things start improving.⁹⁷

In this context, and consistent with recommendations from previous reports, **the Committee underscores Canada’s ongoing need to diversify its political and commercial partners.** This message is more prudent and urgent now than ever given the prevailing uncertainty about Canada’s existing trade relations and agreements, notably the *Trans-Pacific Partnership Agreement* (TPP) and the possible renegotiation of the *North American Free Trade Agreement* (NAFTA).⁹⁸ Indeed, the Committee’s most recent study on free trade agreements reinforced its appreciation for Canada as a trading nation and the importance of establishing and strengthening commercial relations with a number of partners and regions to ensure the country’s prosperity. Accordingly, as Canada deepens its ties with Argentina, the Committee also stresses that initiatives in this direction should be considered in tandem with, and not to the exclusion of, other commercial avenues.

⁹³ Culham, [3 February 2016](#).

⁹⁴ Culham, [3 February 2016](#).

⁹⁵ GAC, [17 February 2016](#).

⁹⁶ GAC, [17 February 2016](#); Heidrich, [4 February 2016](#); Culham, [3 February 2016](#).

⁹⁷ Purcell, [4 February 2016](#).

⁹⁸ AEFA, Colin Robertson, Laura Dawson, 42:1, *Evidence*, [24 November 2016](#).



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The Committee also firmly underlines that time is of the essence for updating Canada-Argentina relations. As the Committee encountered in its studies on China, India, Russia, Brazil, Turkey and in the Asia-Pacific region where Canada's engagement was delayed, the window of opportunities for deepening ties can narrow as competitors establish an early presence and quickly saturate the market. For instance, the United States has already taken important initiatives to renew its ties with Argentina, such as a high-level visit by then-President Barack Obama to Buenos Aires in March 2016 and the conclusion of several agreements related to security, drug trafficking and crime, as well as investment.⁹⁹ Even given the uncertainty about the new U.S. presidential administration's regional policies, the point remains: **Canada stands to lose the advantage unless it updates its Argentina and regional policies in a timely manner.**

⁹⁹ Ambassador of Argentina, [14 April 2016](#).



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A WAY FORWARD FOR CANADA'S RELATIONS WITH ARGENTINA AND THE REGION

The Committee welcomes the November 2016 agreement between Prime Minister Trudeau and President Macri on a wide range of areas intended to strengthen ties between Canada and Argentina. In particular, they committed to an annual high level policy dialogue led, when possible, by their foreign ministers.¹⁰⁰ Although the agreement itself sends an important signal, its implementation will be especially consequential. In this respect, the Committee undertakes to monitor its implementation and its impact on Canada-Argentina relations.

Moreover, the Committee considers that these efforts contained in the November 2016 agreement alone are insufficient to redirecting Canada-Argentina relations toward more mutually beneficial outcomes. **First, to maximize their impact, the Committee stresses that the various elements of the agreement need to join up together and form a more complete, unified Canadian foreign policy strategy for Argentina. Second, in order to manifest Canada's support for Argentina and reinforce positive trends in the region, the Committee emphasizes that Canadian policies need to be aligned with Argentina's core political and economic priorities, including developing key commercial sectors, promoting social development and national unity, strengthening its economic fundamentals and, ultimately, creating a favourable climate for business and investment.**

Accordingly, the Committee proposes that the Government of Canada build on elements of the November 2016 agreement and develop integrated policies for updating its relations with Argentina in the following areas of focus: **enhancing and creating new commercial partnerships, deepening mutual understanding, strengthening federal-provincial structures, sustaining social development, institutional capacity building, as well as regionalism and global issues more generally.** The Committee believes that policies in these areas would foster confidence on the part of Canadian investors in Argentina's opportunities, encourage the positive momentum already generated in the country's changes, build up its resistance against potential instability and downturns, and benefit Canada-Argentina relations for the long-term.

¹⁰⁰ Prime Minister's Office, "[Prime Minister Justin Trudeau concludes successful first official visit to Argentina](#)," News release, 18 November 2016; Prime Minister's Office, "[Fact Sheet: Strengthening ties between Canada and Argentina and creating new opportunities for trade and investment](#)," 18 November 2016; Prime Minister's Office, "[Fact Sheet: Ensuring sound and sustainable natural resource management](#)," 18 November 2016.



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A. Commercial Relations

Argentinian interlocutors made it clear that they want to deepen commercial ties with Canada, to capitalize on areas of convergence and bring them to their full potential.¹⁰¹ In particular, they emphasized the positive role that bilateral or multilateral trade agreements could play to realize these objectives for mutual benefit. Accordingly, the Committee heard about the opportunities that align with Argentina's six-month presidency of MERCOSUR starting in January 2017 concerning deepening trade and investment with that trading bloc. To build and sustain momentum regarding these opportunities, it also heard about Argentina's interest in a bilateral customs mutual assistance agreement that is permitted under MERCOSUR's rigid third-party agreement conditions. Sergio Berensztein, President and Director General of Berensztein Consulting Firm, reinforced the mutual benefits of any commercial framework between the two countries in remarking, "I think both economies could definitely win. It would be a win-win approach. I think it's an interesting area to explore, absolutely."¹⁰²

The Committee is pleased that several signals relating to deepening commercial ties that were brought to its attention during the course of its study have been embraced by the Government of Canada and were reflected in the November 2016 announcement of areas of further collaboration between the two countries. These include a commitment to maintain "an ongoing dialogue on deepening Canada-MERCOSUR trade and investment relationship" and "working to conclude a Canada-Argentina customs mutual assistance agreement."¹⁰³

Either multilaterally or bilaterally, the Committee underscores that, following on its concurrent report on Canada's trade policy and the future of free trade agreements, such initiatives would be broadly significant in sustaining the momentum of trade liberalization in the face of recent global developments and emerging protectionist sentiment. It encourages the Government of Canada to ensure that its commitments to collaborate with Argentina on trade agreements are met in a timely and mutually beneficial manner.

In other commercial respects, the Committee is convinced that **Canada can demonstrate its support for the Argentine government's priorities primarily by undertaking initiatives that reinforce Argentina's message of openness and reform and that have long-lasting impact.**

¹⁰¹ AEFA, Fact-finding mission to Buenos Aires, 19-23 September 2016; EDC, [10 March 2016](#).

¹⁰² Berensztein, [3 February 2016](#).

¹⁰³ Prime Minister's Office, "[Fact Sheet: Strengthening ties between Canada and Argentina and creating new opportunities for trade and investment](#)," 18 November 2016.



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According to the Argentina-Canada Chamber of Commerce, “Argentina is working and ready to receive investment, knowledge and experience from Canada.”¹⁰⁴ EDC pointed out that, from the Canadian side, there is already a growing level of interest in the opportunities arising from the new Argentina.¹⁰⁵ This interest was confirmed by the number of Canadian companies that attended the investment forum organized by the Investment and Trade Promotion Agency the week before the Committee’s fact-finding mission to Buenos Aires.

Witnesses from the Committee’s hearings in Ottawa and its meetings in Buenos Aires emphasized that any efforts to deepen commercial ties can target existing compatibilities and established mutual interests of the two countries, but should also reflect more contemporary considerations. In this respect, **neither Canada nor Argentina are the same countries that began to deepen their engagement in the 1990s.**¹⁰⁶ **Indeed, global trade itself has changed to reflect wide-ranging opportunities and the complex linkages between trade in goods and services, investment, and supply- and value-chains. Such considerations need to be embedded in Canada’s updated commercial policy towards Argentina, as does Canada’s leadership in the knowledge-, service-, and technology-side of Argentina’s priority sectors.**¹⁰⁷ While not every sector is attractive at the moment given various domestic and global factors, **the Committee underlines that developing and reinforcing a commercial presence today will pay dividends in the future when conditions become more favourable.**¹⁰⁸ **Moreover, a deeper commercial relationship with Argentina and its growing regional profile can reinforce Canada’s efforts to build synergies as new networks of cooperation take shape.**

The Committee would also like to commend the Buenos Aires-based Argentine-Canadian Chamber of Commerce for promoting bilateral commercial and investor relationships between the two countries, even under the difficult conditions of the last decade or so. Without its commitment and continued service since its establishment in 1977, the presence of Canadian commercial interests in Argentina may well have suffered more significantly without this important anchor and network facilitator.¹⁰⁹ The Committee was particularly impressed with the group’s focus on and commitment to areas of particular importance and urgency for Argentina

¹⁰⁴ ACCC, [12 May 2016](#).

¹⁰⁵ EDC, [10 March 2016](#).

¹⁰⁶ Daudelin, [18 May 2016](#); ACCC, [12 May 2016](#); EDC, [10 March 2016](#); Culham, [3 February 2016](#).

¹⁰⁷ Berensztein, [3 February 2016](#); Ambassador of Argentina, [14 April 2016](#); GAC, [17 February 2016](#); ACCC, [12 May 2016](#); Miller, [5 May 2016](#); EDC, [10 March 2016](#); AEFA, Fact-finding mission to Buenos Aires, 19-23 September 2016.

¹⁰⁸ Daudelin, [18 May 2016](#).

¹⁰⁹ ACCC, [12 May 2016](#).



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and Canada-Argentina relations more generally. In this respect, its various working groups on mining (the only chamber of commerce in Argentina to have one), energy, commerce, corporate social responsibility, and legal and fiscal issues among others, provide an invaluable resource for sharing experiences and best practices about the business climate in Argentina.

Targeted sectors

Those economic sectors that show the most promise for enhancing Canada-Argentina relations are exactly those in which Canada already has a strong engagement and which align with the Argentinian government's priorities. These include energy, especially clean energy and nuclear technology; mining, notably gold and copper; other extractive sectors, such as oil and gas; and agriculture.¹¹⁰

According to witnesses, the development of Argentina's **energy** sector, including the exploitation of its oil and gas potential, is at the core of the country's economic development and political priorities.¹¹¹ In this respect, the Committee was told that "everything is important and all at the same time" when it comes to the country's power needs. However, while Argentina is among the largest energy markets in Latin America, it is not without serious problems that have impeded its growth.¹¹² For instance, as a result of its underdeveloped oil and gas industry, the country has to import one-third of its energy needs in order to meet high consumer demand. In addition, Argentina lacks a sufficient and efficient distribution capacity in order to transmit energy to consumers.¹¹³ The Committee also heard about the entrenched culture in support of government-subsidized energy rates.¹¹⁴

To meet its demands and economic priorities, the Committee heard that Argentina is focusing in particular on the development of its capacity for clean energy. To this end, the National Congress passed legislation that sets higher levels of clean, renewable sources of energy in the country's mix of energy sources: from 1% renewable currently to 8% by 2017, and 20% by 2025. These targets also include increases in the proportion of wind and solar energy sources.¹¹⁵ The Argentinian government is also consulted closely with a variety of stakeholders, such as businesses, provinces, universities, to develop a modern energy strategy for Argentina.

¹¹⁰ Ambassador of Argentina, [14 April 2016](#); ACCC, [12 May 2016](#); GAC, [17 February 2016](#); Heidrich, [4 February 2016](#); Miller, [5 May 2016](#); EDC, [10 March 2016](#); Daudelin, [18 May 2016](#).

¹¹¹ AEFA, Fact-finding mission to Buenos Aires, 19-23 September 2016.

¹¹² EDC, [10 March 2016](#).

¹¹³ AEFA, Fact-finding mission to Buenos Aires, 19-23 September 2016.

¹¹⁴ AEFA, Fact-finding mission to Buenos Aires, 19-23 September 2016.

¹¹⁵ Berensztein, [3 February 2016](#); AEFA, Fact-finding mission to Buenos Aires, 19-23 September 2016.



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Accordingly, the Committee believes that there is significant potential for partnering with Argentina to address the country's energy dilemma and to help it meet its goals of economic prosperity and stability.¹¹⁶ More specifically, numerous opportunities exist that could capitalize on Canada's expertise and technology in clean and renewable energy. Indeed, EDC testified that potential projects in this field were valued at more than US\$24 billion.¹¹⁷ Such projects and opportunities include nuclear power technology, which as one witness remarked, would bring Canada's level of cooperation in this sector back to the highs experienced in the 1990s.¹¹⁸ They also include cooperation in wind power generation, potentially with provincial partners such as Prince Edward Island, Ontario and Alberta. These initiatives would reinforce Canada's emerging importance in this field for Argentina, notably where HydroQuébec has already been contacted to share expertise about increasing transmission capacity and hydro-power technology.¹¹⁹ According to testimony by Argentina's then-ambassador to Canada:

Of course, in clean energy there is a huge possibility, a huge perspective of cooperation and involvement with Canadian companies. We know that there are many Canadian companies at the top level for clean energy. ... We do have all the natural resources — solar, wind energy. We know we can provide the natural resource. What we need is the involvement and investment.¹²⁰

The Committee welcomes the November 2016 announcement during the Prime Minister's official visit to Argentina that the two countries "committed to resuming their nuclear regulatory cooperation and re-establishing bilateral nuclear consultations pursuant to the Canada-Argentina Nuclear Cooperation Agreement."¹²¹

However, it also believes that more can be done. In light of concerns expressed about the weak culture of energy conservation in Argentina, the Committee underlines the positive impact on Canada-Argentina relations of partnerships to improve and build awareness of best conservation and energy efficiency practices. Such initiatives would facilitate the Argentinian government's priority of decreasing energy subsidies.¹²² They would also contribute to a more favourable business climate by widening margins for potential energy investors. Capitalizing on Canada's leadership in the areas of clean energy and clean technology, **the Committee recommends that:**

¹¹⁶ AEFA, Fact-finding mission to Buenos Aires, 19-23 September 2016.

¹¹⁷ EDC, [10 March 2016](#).

¹¹⁸ ACCC, [12 May 2016](#); AEFA, Fact-finding mission to Buenos Aires, 19-23 September 2016.

¹¹⁹ AEFA, Fact-finding mission to Buenos Aires, 19-23 September 2016.

¹²⁰ Ambassador of Argentina, [14 April 2016](#).

¹²¹ Prime Minister's Office, "[Fact Sheet: Strengthening ties between Canada and Argentina and creating new opportunities for trade and investment](#)," 18 November 2016.

¹²² AEFA, Fact-finding mission to Buenos Aires, 19-23 September 2016.



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Recommendation 2:

The Government of Canada expand its commitment with Argentina and share its expertise on clean technology and renewable energy, notably regarding solar, wind and hydro power. Canada and Argentina should also exchange ideas about incentives to improve conservation habits and partner to develop a communication strategy on energy efficiency for Argentinian consumers and industry.

The Committee heard that enhancing Canada's **mining** activities in Argentina should be a major focus of efforts to deepen their commercial ties.¹²³ In this respect, Argentina is already Canada's third most important country in Latin America in terms of value of mining assets, and boasts the fourth largest concentration of Canadian mining companies in South America.¹²⁴ Canada is particularly active in gold mining, involving such enterprises as Goldcorp, Barrick Gold, Pan American Silver and Yamana Gold. In 2014-2015, these companies invested \$3.2 billion in Argentina-related projects, 93% of which was spent in the country itself.¹²⁵

The Committee was told that there was an estimated US\$14.5 billion in potential **mining** projects in Argentina.¹²⁶ In other words, given that only 15% of Argentina's mining potential has been exploited, opportunities for partnership exist with respect to development and modernization. More specifically, the Committee was told of prospects in the development of Argentina's **oil and gas** industry, particularly given that the country needs approximately US\$200 billion in investment in order to fulfil its ambition of becoming self-sufficient in oil and gas by 2024.¹²⁷ The Committee also heard about opportunities in terms of developing the country's shale gas and shale oil reserves.¹²⁸ Witnesses mentioned the possibility of expanding Argentina's **potash** mines to increase the availability of the valuable fertilizer for the domestic agriculture market and for export.¹²⁹ With all of this in its favour, the Mining Association of Canada (MAC) noted that Argentina had the potential to lead the Andean region in a number of mineral and metal products such as lead, zinc, tin, copper, iron ore, gold, etc.¹³⁰

¹²³ AEFA, Fact-finding mission to Buenos Aires, 19-23 September 2016; MAC, [26 October 2016](#).

¹²⁴ MAC, [26 October 2016](#).

¹²⁵ MAC, [26 October 2016](#).

¹²⁶ EDC, [10 March 2016](#); AEFA, Fact-finding mission to Buenos Aires, 19-23 September 2016.

¹²⁷ EDC, [10 March 2016](#); AEFA, Fact-finding mission to Buenos Aires, 19-23 September 2016.

¹²⁸ EDC, [10 March 2016](#).

¹²⁹ AEFA, Fact-finding mission to Buenos Aires, 19-23 September 2016.

¹³⁰ MAC, [26 October 2016](#).



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Witnesses also emphasized the potential for enhancing cooperation in mining given Canada's leadership in engineering, legal and financial, and other sector-specific professional and support services.¹³¹ They also stressed the value to Argentina of Canada sharing its experience with developing regulatory frameworks for the extractive industry and that take into account federal and provincial authorities.

That Argentina's mining opportunities exist in less developed parts of the country means that pursuing them could reinforce the government's regional economic development objectives more generally. It is noteworthy that Argentina's Secretary of Mining led a sizable delegation, including provincial governors, to the annual convention of Canada's Prospectors and Developers Association of Canada (PDAC) to generate interest in the sector under the new administration.¹³²

Promoting Corporate Social Responsibility¹³³

The Committee's Argentinian interlocutors at its meetings in Buenos Aires underscored their interest in partnering with Canada specifically on corporate social responsibility (CSR) – [defined by Global Affairs Canada](#) as “the voluntary activities undertaken by a company to operate in an economic, social and environmentally sustainable manner.” This interest was based to a certain degree on Argentina's intention to develop its own CSR standards. For example, the country is looking to standardize the management of mine closures, and to apply CSR standards nationwide while taking into account community specific demands. The government also hopes to make CSR part of the Argentinian business culture and believes a CSR policy can serve as an invaluable tool as it gathers support from local authorities and communities for the development of its mining industry.¹³⁴

The Committee is convinced that promoting CSR is a natural extension of the Canada-Argentina mining partnership and Canada's leadership in this area.¹³⁵ As Cynthia Arnson emphasized:

Since Canada is an important mining country and has a very important mining sector abroad, as does the United States, I think that those mining investments, to the extent that they are new or expanded, have to take into account all of the local realities and the issues of environmental and social sustainability that have become so conflictive throughout the

¹³¹ MAC, [26 October 2016](#).

¹³² Ambassador of Argentina, [14 April 2016](#).

¹³³ MAC, [26 October 2016](#); AEFA, Fact-finding mission to Buenos Aires, 19-23 September 2016.

¹³⁴ AEFA, Fact-finding mission to Buenos Aires, 19-23 September 2016; Miller, [5 May 2016](#).

¹³⁵ MAC, [26 October 2016](#); Miller, [5 May 2016](#).



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hemisphere, less so, actually, in Argentina than in places like Peru, Chile and Bolivia. I think that getting it right from the beginning, even if it takes longer, through consultation with the local communities, through understanding the kinds of bargains with provincial governors, will be in the long-term interests not only of Canadian companies but also the long-term economic future of Argentina, on which the political future depends.¹³⁶

To this end, the Committee congratulates the Argentine-Canadian Chamber of Commerce for raising awareness about CSR practices among its membership in its mining working group as well as in its exchanges with federal and provincial governments and other stakeholders. The Committee is very encouraged that Argentina has taken an important step in its commitment to adopt sustainable mining practices and build up its own CSR capacity by reaching out to Canada specifically and establishing a CSR partnership with the Mining Association of Canada (MAC). More specifically, on 19 October 2016, MAC and its counterpart, the Cámara Argentina de Empresarios Mineros (CAEM) announced that they would be working together to assist Argentina in adopting the Towards Sustainable Mining (TSM) program developed by MAC in order to raise industry standards in Argentina and “help move Argentina’s mining sector forward to become more efficient, reliable and an important and attractive jurisdiction for investment and growth.”¹³⁷ **The Committee also commends the governments of Canada and Argentina for including cooperation on “responsible mineral resource development and commitment to the promotion of good practices along the entire value chain of mineral development” in one of its areas for further collaboration as announced in November 2016.**¹³⁸

Protecting Canada’s CSR Reputation

Given its reputation as a global leader in CSR, Canada has very high stakes in defending that reputation. Generally, Argentinian interlocutors were satisfied with Canada’s performance related to CSR in Argentina and the topic was raised in several meetings during the fact-finding mission, including those with parliamentarians and the Minister of Energy and Mining.

The Committee would like to register its concern about two isolated yet high profile cyanide leaks involving the Canadian mining company, Barrick Gold, at its gold mine in San Juan province. These recent events resulted in the temporary closure of mining operations as well as government and judicial investigations, leading to upgrades in order to prevent further incidents.

¹³⁶ Amson, [5 May 2016](#).

¹³⁷ MAC, [26 October 2016](#); Mining Association of Canada, “[Argentina adopts Canada’s Towards Sustainable Mining Initiative](#),” News release, 19 October 2016.

¹³⁸ Prime Minister’s Office, “[Fact Sheet: Strengthening ties between Canada and Argentina and creating new opportunities for trade and investment](#),” 18 November 2016.



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Interlocutors in Buenos Aires raised these incidents and emphasized their request that **Canadian mining companies practice CSR in Argentina as they do in Canada**. They also impressed on the need for Canadian companies to communicate more openly with local authorities and communities in which they operate, particularly when incidents occur, in order to build trust and confidence, and to reinforce Canada's reputation as a trusted partner.¹³⁹ The Committee is pleased that the situations were resolved in due course and operations resumed in a timely and responsible manner;¹⁴⁰ however, it considers the incidents as a valuable learning opportunity and **calls on Barrick Gold and other Canadian companies to strengthen their cooperation with authorities at all levels and with affected communities to satisfy environmental and health concerns**. The Committee also regrets that Barrick Gold representatives did not respond to invitations to appear before the Committee to offer their perspective on their experience in Argentina.

These concerns were raised before the Committee and formed the basis of the statement issued by Canada and Argentina on the importance of complying with CSR requirements and guidelines in both countries, notably regarding transparency and public confidence.¹⁴¹

The Committee affirms that Canada can play an important role in helping Argentina develop its mining potential and advance its economic development. Accordingly, **the Committee recommends that:**

Recommendation 3:

In light of opportunities in the mining sector generally as well as in the oil and gas industry specifically, the Government of Canada create partnerships with Argentina that are based on the provision of relevant support services. In addition to increasing investment and sharing technology and technical know-how, partnerships should also be encouraged that share expertise with respect to regulatory frameworks and federal-provincial relations.

¹³⁹ AEFA, Fact-finding mission to Buenos Aires, 19-23 September 2016.

¹⁴⁰ ["San Juan: panic after cyanide spill in mine,"](#) *Buenos Aires Herald.com*, 15 September 2015; ["Barrick's cyanide solution spill five times larger,"](#) *Buenos Aires Herald.com*, 24 September 2015; ["Barrick halts mine operations after spill,"](#) *Buenos Aires Herald.com*, 16 September 2016; ["Gov't files complaint against Barrick,"](#) *Buenos Aires Herald.com*, 23 September 2016; ["Barrick Gold resumes operations in Veladero,"](#) *Buenos Aires Herald.com*, 5 October 2016.

¹⁴¹ Prime Minister's Office, ["Fact Sheet: Ensuring sound and sustainable natural resource management,"](#) 18 November 2016.



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To sustain the momentum of corporate social responsibility initiatives recently undertaken, and given the importance of the natural resource industry throughout South America and the mutual benefits to be gained,¹⁴² **the Committee recommends that:**

Recommendation 4:

The Government of Canada capitalize on the recently launched initiative between the Mining Association of Canada (MAC) and Cámara Argentina de Empresarios Mineros (CAEM) to support joint projects that promote corporate social responsibility more widely across the South American region and industries.

Argentina's emphasis on modernizing and building-up its **infrastructure** as a core element of its economic development priorities was highlighted at nearly every one of the Committee's meetings in Buenos Aires. Accordingly, infrastructure was highlighted as another area with tremendous partnership opportunities that would reinforce Canada's support for Argentina's path to economic development and have a positive impact on bilateral relations.¹⁴³ In this respect, witnesses stressed that Argentina's infrastructure demands are particularly exigent given that they were neglected over the last several years. For instance, transportation modes do not effectively support the Argentinian economy, in part due to the influence of interest groups, such as the truckers union which favoured a system that benefitted its membership.¹⁴⁴ Among the urgent priorities detailed by the Committee's witnesses are plans to build and renew 900 km of highway, as well as other transportation gateways such as roads, railways, harbours.¹⁴⁵ Another key priority is to address the particular infrastructure pressures experienced by large urban centres, such as Buenos Aires, notably in terms of sewer systems, water sanitation and treatment, pressures that hamper the ability of such centres to meet the demands of a growing population.¹⁴⁶ **In effect, the Committee heard that Argentina's infrastructure demands exceed its own capacity to supply it, and that it needs Canada's help.**¹⁴⁷

Agriculture is another sector where witnesses noted a good fit exists to develop Canada's commercial ties with Argentina and which also capitalizes on compatibilities and Canadian

¹⁴² MAC, [26 October 2016](#).

¹⁴³ AEFA, Fact-finding mission to Buenos Aires, 19-23 September 2016; EDC, [10 March 2016](#); Daudelin, [18 May 2016](#).

¹⁴⁴ AEFA, Fact-finding mission to Buenos Aires, 19-23 September 2016.

¹⁴⁵ ACCC, [12 May 2016](#).

¹⁴⁶ AEFA, Fact-finding mission to Buenos Aires, 19-23 September 2016; Argentina Investment and Trade Promotion Agency, *Selected Investment Opportunities*, Buenos Aires, September 2016.

¹⁴⁷ AEFA, Fact-finding mission to Buenos Aires, 19-23 September 2016.



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leadership. In this respect, witnesses emphasized opportunities for Canadian investment in crop and food production, especially for exports, and animal husbandry, including genetics. Argentina's developing **seafood** and **telecommunications** industries, in which Canadian companies are already present and "making a difference" were also raised by witnesses as having a potential positive impact on deepening Canada-Argentina commercial relations.¹⁴⁸ Witnesses also stressed opportunities with respect to the support sectors, including technology, equipment, services, know-how as well as research and development.¹⁴⁹ **The Committee commends the Government of Canada for including agricultural cooperation in its areas of collaboration with the new Argentine government as announced in November 2016.**

Financing Argentina's Energy And Infrastructure Plans¹⁵⁰

Given its priorities to invest and develop the energy and infrastructure sectors, a related urgency for the Argentinian government is to find financing for these projects. Paradoxically finding itself with a relatively low rate of debt and large capacity to take on debt, the new administration is committed to doubling its infrastructure investment.¹⁵¹ However, government sources are alone insufficient. The Argentinian banking sector does not offer any promise either as it is primarily underdeveloped in part due to the sector not having recovered fully from its 2001 collapse, the weak savings culture among Argentinians generally, and the high inflation rates that have deterred any incentives to enhance it.¹⁵²

To obtain the necessary financing, the Macri government has prioritized several measures. These include introducing an amnesty law that would encourage the repatriation of money and profits from abroad without any taxes or penalties, creating partnerships with the private sector, and turning to the international community for loans and investment.¹⁵³ It is in this context that the government established the Investment and Trade Promotion Agency to match up interested foreign investors with Argentina's infrastructure demands. The new government's concern for risk management has led it to introduce a bill on Public-Private-Partnerships (PPP) that, according to witnesses, is broadly supported in Congress.

Argentina is also turning to international financial institutions, such as the International Monetary Fund (IMF), World Bank and the Corporacion Andina de Fomento [[Development](#)

¹⁴⁸ ACCC, [12 May 2016](#); Miller, [5 May 2016](#); AEFA, Fact-finding mission to Buenos Aires, 19-23 September 2016.

¹⁴⁹ EDC, [10 March 2016](#); Daudelin, [18 May 2016](#); AEFA, Fact-finding mission to Buenos Aires, 19-23 September 2016.

¹⁵⁰ AEFA, Fact-finding mission to Buenos Aires, 19-23 September 2016.

¹⁵¹ AEFA, Fact-finding mission to Buenos Aires, 19-23 September 2016.

¹⁵² AEFA, Fact-finding mission to Buenos Aires, 19-23 September 2016.

¹⁵³ Heidrich, [4 February 2016](#); EDC, [10 March 2016](#); AEFA, Fact-finding mission to Buenos Aires, 19-23 September 2016.



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[Bank of Latin America](#)] (CAF), in order to finance its projects and offer guarantees for investment. In this respect, after nearly a decade of disengagement from the international financial community, IMF officials held meetings with Argentinian counterparts just prior to the Committee’s own fact-finding mission. The CAF already committed US\$1 billion in funding to Argentina, and the World Bank has committed US\$500 million to support energy projects, as well as sanitation improvement and water treatment projects.¹⁵⁴

The Committee underscores the opportunities for Canada to support and create partnerships with Argentina with respect to its access to financing. **In light of Argentina’s interest in developing its PPP framework, the Committee welcomes the November 2016 announcement between Prime Minister Trudeau and President Macri to collaborate on “sharing the Canadian private-public partnership model, in particular for infrastructure investments.”¹⁵⁵ Such collaboration offers an opportunity for Canada to build on the IMF’s and World Bank’s inputs and to share its own best practices.¹⁵⁶ As a stakeholder in both the IMF and the World Bank, Canada is also in a position to promote buy-in among other shareholders within these institutions regarding projects involving Argentina. These opportunities for cooperation would be in addition to Canada generally facilitating increased flows of direct capital investment into Argentina.**

Export Development Canada

The Committee notes the testimony provided by EDC officials which described its support in 2015 to almost 100 Canadian companies doing business in Argentina and which, in terms of EDC’s business volume in Argentina over the last five years, totalled CAD\$820 million including in the primary sectors of mining, oil and gas, and agriculture.¹⁵⁷ The Committee commends the level of support that was extended by EDC, notwithstanding the difficult conditions in Argentina under which these companies operate.

However, following its fact-finding mission to Argentina and the greater appreciation of the opportunities and potential in building Canada-Argentina commercial ties, **the Committee questions the extent to which EDC’s position to carry out “business as usual” and maintain the “status quo” in Argentina as well as its current restrictive policy towards Argentina**

¹⁵⁴ AEFA, Fact-finding mission to Buenos Aires, 19-23 September 2016.

¹⁵⁵ Prime Minister’s Office, [“Fact Sheet: Strengthening ties between Canada and Argentina and creating new opportunities for trade and investment,”](#) 18 November 2016.

¹⁵⁶ AEFA, Fact-finding mission to Buenos Aires, 19-23 September 2016.

¹⁵⁷ EDC, [10 March 2016](#).



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reflects the country's changing conditions and the growing level of interest in building commercial ties.¹⁵⁸

The Committee was particularly troubled to hear of two recent developments that reinforce the implications of any delays on the part of EDC to update its evaluation of the Argentinian market. In the first instance, the American export credit agency, Export-Import Bank of the United States (EX-IM) announced the week before the Committee's fact-finding mission that it was "resuming offering short- and medium-term financing in Argentina after being closed to sovereign transactions for 15 years" and had also established an office in Buenos Aires.¹⁵⁹ In the second, the Committee was informed that Argentina's purchase of a CANDU nuclear reactor was financed by Chinese investors.¹⁶⁰

When taking into consideration these two developments, EDC's continued "limited" position about the Argentine market and its glaring lack of presence in the country, it becomes clear that such a position may result in many lost opportunities for Canada. EDC's policy towards Argentina also contrasts sharply with the network of offices it has established in other markets in South America, notably Colombia, Peru and Chile.¹⁶¹

The Committee would have appreciated the opportunity to receive additional information from EDC officials at a second appearance following the Committee's return from its fact-finding mission in order to follow-up on some of these concerns.

In light of [EDC's mandate](#) to provide "Canadian exporters with trade financing, export credit insurance and bonding services, as well as foreign market expertise" and the alignment of Canadian expertise with Argentina's priorities, the Committee strongly believes that EDC's status quo toward Argentina will impair any efforts to deepen Canada's commercial ties with Argentina and Canada-Argentina relations more generally. To avoid such a development, and to benefit especially Canadian small- and medium-sized enterprises (SMEs) and their supply-chain participation,¹⁶² **the Committee recommends that:**

¹⁵⁸ EDC, [10 March 2016](#).

¹⁵⁹ Export-Import Bank of the United States, "[EXIM Reopens for Business in Argentina](#)," 14 September 2016.

¹⁶⁰ See "[China and Argentina reaffirm nuclear agreement](#)," *World Nuclear News*, 1st July 2016.

¹⁶¹ EDC, [10 March 2016](#).

¹⁶² EDC, [10 March 2016](#).



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Recommendation 5:

EDC undertake an immediate review of the service levels it provides to Canadian companies interested in the Argentinian market. This review should include an assessment of the value and benefit of establishing a presence in Buenos Aires for Canadian companies and for other potential Canadian commercial interests.

B. Soft Power¹⁶³

To underpin a closer relationship between Canada and Argentina, the Committee is convinced that greater efforts are necessary to strengthen mutual understanding and awareness, and people to people relations. Such efforts are all the more important given that the respective diaspora communities in both countries are relatively limited in size (i.e. there are 6000 to 7000 Canadians in Argentina and approximately 20,000 Argentinians in Canada). Likewise, witnesses pointed to the lost goodwill resulting from the cancellation in 2012 of the federally-funded “Understanding Canada” international studies program that served to support Canadian studies abroad.¹⁶⁴

In this respect, facilitating the movement of people, including for business travel and tourism, stands out as an essential element to enhance Canada’s relations with Argentina. Notably, the Committee heard that the number of Argentinian visitors to Canada in 2016 alone has shown a dramatic increase from the previous year. In large part, credit for this increase is given to the implementation of facilitated measures to obtain visas for Canada including the establishment of Visitor Application Centres (VACs), online application methods, and the CanPlus program which facilitates the process for applicants who have received an entry visa in the past. The Committee commends the Canadian embassy in Buenos Aires for being the top-ranked for visa processing times among all Canadian missions in the world.¹⁶⁵

That said, as it has consistently heard throughout its other studies, the Committee also heard repeatedly about the impediments to these people-to-people relations resulting from the visa requirement for Canadian business travellers to Argentina and for Argentinians generally travelling to Canada. Adding to the situation is the fact that Argentina’s two consulates in Toronto and Montreal are considerably distant from businesses in western Canada who are

¹⁶³ AEFA, Fact-finding mission to Buenos Aires, 19-23 September 2016.

¹⁶⁴ Heidrich, [4 February 2016](#).

¹⁶⁵ AEFA, Fact-finding mission to Buenos Aires, 19-23 September 2016.



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particularly likely to pursue commercial interests in Argentina. Argentinian and Canadian officials told the Committee that they would like to see the visa requirement for Argentinians travelling to Canada lifted and Argentina included in Canada's Electronic Travel Authorization program. They also told the Committee that they would like the reciprocity fee levied against Canadian tourists travelling to Argentina to be lifted.¹⁶⁶

The Committee heard about the high degree of interest in improving education cooperation, including student and faculty exchanges, between Canada and Argentina, particularly initiatives that draw together key stakeholders, such as the Ministry of Science and Technology, universities and colleges.¹⁶⁷ In this respect, the Committee was informed that Argentina has good education cooperation with Brazil and Chile as well as the United States, Australia and France.

In terms of cultural collaboration, the Committee reiterates testimony from witnesses who noted the sister city arrangements between Buenos Aires and Montreal that reinforced their bonds and have led to cooperation opportunities, such as Montreal hosting the International Tango Championship for the first time outside of Argentina.¹⁶⁸ The Committee would also like to signal other opportunities arising from Canada's 150th anniversary of Confederation for deepening cultural exchanges and mutual understanding between the two countries, such as through the visual and performance arts.

The Committee notes that many of these issues raised over the course of its study were subsequently included in the November 2016 announcement between Canada and Argentina about priority areas for further collaboration, including commitments to deepen cultural and educational ties, as well as in Argentina's decision to lift the business visa requirement for Canadian business travellers.¹⁶⁹ The Committee also considers that the youth mobility agreement between Canada and Argentina currently under consideration would make an important contribution to the people-to-people element of the bilateral relationship and encourages its timely conclusion.

However, similar to the role it played in signalling the value of promoting education cooperation during its study on Brazil and the key recommendations it made in that report on various

¹⁶⁶ AEFA, Fact-finding mission to Buenos Aires, 19-23 September 2016.

¹⁶⁷ Ambassador of Argentina, [14 April 2016](#); GAC, [17 February 2016](#); ACCC, [12 May 2016](#); EDC, [10 March 2016](#).

¹⁶⁸ GAC, [17 February 2016](#).

¹⁶⁹ Prime Minister's Office, "[Fact Sheet: Strengthening ties between Canada and Argentina and creating new opportunities for trade and investment](#)," 18 November 2016.



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educational initiatives, including the creation of a high profile scholarship program that have since become an anchor for Canada-Brazil educational cooperation, the Committee believes that more specific direction is required in order to strengthen the potential impact of such initiatives on Canada-Argentina ties. Accordingly, to anchor these mutual interests and in full recognition of education as a matter of provincial jurisdiction, **the Committee encourages the relevant education institutions in Canada and Argentina to increase their contacts with each other and explore opportunities for collaboration.**¹⁷⁰ The Committee also strongly recommends that:

Recommendation 6:

The Government of Canada together with the appropriate institutions and levels of government examine opportunities for a scholarship program that facilitates student exchanges between Canada and Argentina. It should also consider concluding concrete framework agreements on education cooperation, while remaining cognizant of the challenges relating to foreign credential recognition.

Given the role that transportation links play in promoting stronger people-to-people as well as commercial ties, the Committee encourages the air transportation industry to examine the commercial benefits of opening a direct, non-stop route between Canada and Argentina to facilitate travel. It also invites Destination Canada (formerly the Canadian Tourism Commission)¹⁷¹ to consider including Argentina in their promotional work.

Another element linking education and commercial ties in the Canada-Argentina relationship is enhanced cooperation in science and technology, research and development as well as innovation.¹⁷² Indeed, Argentina's commitment to developing this area is noted in the establishment of the Ministry of Science and Technology in 2007, and in President Macri retaining the person of Minister of Science and Technology from the previous administration. In this respect, witnesses stressed the groundwork already laid out to enhance such collaboration with the presence of prominent Argentinian scientists and researchers in Canada.¹⁷³ They include [Dr. Julio Montaner](#) at the British Columbia Centre for Excellence in HIV/AIDS and [Dr. Adolfo de Bold](#) at the University of Ottawa Heart Institute. Another opportunity in this respect lies in research and development cooperation related to the management of natural resources, such as

¹⁷⁰ ACCC, [12 May 2016](#).

¹⁷¹ AEFA, Fact-finding mission to Buenos Aires, 19-23 September 2016.

¹⁷² Ambassador of Argentina, [14 April 2016](#); Miller, [5 May 2016](#); GAC, [17 February 2016](#).

¹⁷³ Ambassador of Argentina, [14 April 2016](#).



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the possible pairing of the University of Prince Edward Island's fisheries management program with a suitable partner in Argentina in order to promote that country's fishing industry. The Committee is convinced that there is important value in Canada becoming a valued research partner for Argentina.¹⁷⁴

Having heard from witnesses about the potential in collaboration given that Canada and Argentina are polar countries and share concerns regarding the impact of climate change on the polar regions, **the Committee welcomes the commitment of the two countries to increase “research collaboration on polar and subpolar issues, guided by the framework of the Canada-Argentina 2010 Letter of Agreement on Cooperation in Arctic and Antarctic Science, with a focus on climate change and associated impacts.”**¹⁷⁵ Such collaboration on polar issues can build on the cooperation between the Université du Québec à Rimouski and the University of Chubut in southern Argentina.

C. Parliamentary Diplomacy

The value of strong parliamentary relations between Canada and Argentina by which to build mutual awareness and enhance ties was raised several times during the Committee's meetings in Buenos Aires. The Committee is convinced that parliamentary exchanges and the ties created through them can transcend changing governments and can therefore play a pivotal role in sustaining bilateral relations between Canada and Argentina.

Indeed and as the first Canadian high-level visit to Argentina since President Macri's election, the Committee's fact-finding mission to Buenos Aires, by way of its program of meetings, invaluablely gave Canadian government representatives access in a short period of time to several influential and high-ranking Argentinian officials such as the Chief of Cabinet and many members of Cabinet. Interlocutors also remarked that the Senate delegation's mission laid important groundwork and generated momentum for other upcoming high-level visits both in Canada and Argentina, notably the Prime Minister's official visit in November 2016.

Likewise, parliamentary delegations serve as important ambassadors by delivering messages about priorities and contributing to the development of relevant bilateral and multilateral policy.

¹⁷⁴ ACCC, [12 May 2016](#).

¹⁷⁵ Miller, [5 May 2016](#); AEFA Fact-finding mission to Buenos Aires, 19-23 September 2016; Prime Minister's Office, "[Fact Sheet: Strengthening ties between Canada and Argentina and creating new opportunities for trade and investment](#)," 18 November 2016.



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In this respect, this study by a Senate committee in the Parliament of Canada which focused on Argentina-Canada relations was extremely well-received by all stakeholders and interlocutors.

The Committee put parliamentary diplomacy into action in its meetings with elected counterparts and parliamentary officials, including those representing the pro-government faction and opposition parties. These included Senate Provisional Speaker Federico Pinedo, members from the Chamber of Deputies and Senate of the National Congress, and high-level representatives from the Buenos Aires City legislature. Notably, the parliamentarians and officials represented different regions in Argentina, and involved in particular numerous women. Topics discussed served to enhance the Committee's understanding of recent developments in Argentina from a parliamentary perspective as well as of the popular will of Argentinians; these included: Argentina's new era, federal-provincial relations, challenges and opportunities, regional and global dynamics, and the potential for strengthening Canada-Argentina relations.¹⁷⁶

The meetings with parliamentarians were welcomed by all and provided an opportunity to reinforce connections that are made in other fora, such as ParlAmericas, the Inter-Parliamentary Union, Parliamentarians for Global Action, and the International Criminal Court, that bring Canadian and Argentinian parliamentarians together to build mutual understanding and combine efforts on common issues.¹⁷⁷ Such inter-parliamentary exchanges, whether by way of official delegations or multilateral groups, also offer occasions to build capacity and share best practices that reflect the will and demands of citizens and hold the government to account. The Committee had occasion to welcome some of its counterparts very soon after the Committee's fact-finding mission when a delegation of Argentinian parliamentarians and officials from the federal as well as provincial levels travelled to Ottawa to examine Canada's experience with federal-provincial relations, thereby reinforcing the ties that were already formed in Buenos Aires and elsewhere.

Indeed, it is expected that these inter-parliamentary efforts will continue, notably with the reconstitution of the Canada-Argentina Parliamentary Friendship Group and the renewal of its activities. The Committee was also pleased to hear about initial conversations in the National Congress to re-establish a similar group among Argentinian parliamentarians. **Such activities in parliamentary diplomacy are establishing the critical groundwork for continued momentum in building closer ties.**

¹⁷⁶ AEFA, Fact-finding mission to Buenos Aires, 19-23 September 2016.

¹⁷⁷ Ambassador of Argentina, [14 April 2016](#).



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D. Federal-Provincial Relations¹⁷⁸

Strengthening relations between the Argentinean federal government, the 23 provincial governments and Buenos Aires (which has provincial-level status as an autonomous city) figures prominently as a dimension of achieving success for Argentina's political, economic and social reform programs and breaking its cycles of volatility. Indeed, the topic came up in nearly every one of the Committee's meetings with Argentinian officials and various stakeholder groups during its fact-finding mission to the country.

In this respect, federal-provincial relations permeate many of the new government's priorities related to improving Argentina's economic fundamentals and attracting greater foreign investment. These priorities include economic and fiscal restructuring, social development and assistance, regional development and equalization, infrastructure, and reliable statistics. That the National Congress, notably the Senate, is also organized on the basis of provincial representation, thereby assuring that provincial perspectives are reflected in legislative and policy debates, is another important consideration. In addition, opposition parties control the National Congress as well as the provinces, which themselves are run by six different parties.¹⁷⁹

Accordingly, in order to strengthen Argentina's unity, sustain consensus about the government's priorities and strategies, and ensure common understanding about the stakes involved, the Committee heard that federal-provincial relations in the country are being reframed.¹⁸⁰ These efforts focus in part on standardization and renegotiating an equalization formula that is fair to both the federal government and the provinces. Witnesses told the Committee that as a former mayor of Buenos Aires, President Macri gained an appreciation of the complexities and opportunities the federal structure entails as well as the necessity of consulting with different levels of government and jurisdictions in order to achieve success. Improving federal-provincial relations is also intended to strengthen the system's resilience against the negative consequences of changes in government, particularly preventing the federal-provincial relationship from again becoming subject to the discretion of the Executive Office for specific – and personal – advantage.

In his efforts to improve Argentina's federal structure, President Macri appointed a former provincial governor as his Minister of Interior, who is responsible for federal provincial

¹⁷⁸ AEFA, Fact-finding mission to Buenos Aires, 19-23 September 2016.

¹⁷⁹ AEFA, Fact-finding mission to Buenos Aires, 19-23 September 2016.

¹⁸⁰ AEFA, Fact-finding mission to Buenos Aires, 19-23 September 2016.



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relations. Witnesses told the Committee that the government regularly consults with provincial representatives to determine their needs, notably regarding infrastructure, energy, and the role of mining development among others, to ensure that they are reflected in the government's strategies for the country's development. Indeed, the Ministerial delegation that attended PDAC in Toronto included several provincial representatives.¹⁸¹ Officials from EDC shared their impressions about the delegation with the Committee, saying:

What was interesting is that when they had a panel on Argentina, the federal and the provincial ministers presented a united front on the concept that we need and want foreign investment in this market. They know the importance of those two levels working together and the impact it has on international investors.¹⁸²

On the legislative side, the Committee had a lengthy meeting in Ottawa with parliamentary members of [Fundación Red de Acción Política](#) [Policy Action Network Foundation] (RAP) and was impressed with its commitment to strengthening federal-provincial relations and promoting dialogue as a feature in Argentina's political system.

As the Committee heard, the pressure to follow a new federal-provincial model in Argentina touches on the normal challenges relating to different perceptions of what standardization and a fair equalization formula entails, as Canada can well attest to. These questions delve into the complexities and sensitivities related to revenue collection and distribution, fiscal responsibilities, regulations, and setting jurisdictions and authorities. They also relate to a range of policy areas, some potentially lucrative, such as natural resources, and others expensive to manage, including the environment, infrastructure, health, education, and social services. Tensions between the different levels of government in this respect are normal as provinces look to enhance their autonomy, extract financial concessions as much as possible, and lessen their dependence on the federal government.¹⁸³ As Daniel Kerner remarked, "[T]he power ... has gone back to governors and governors want political stability, economic stability and financial resources."¹⁸⁴ Sergio Berensztein also commented, "There is a fiscal way to understand this, which is that the president controls a lot of resources, while governors are also in need of fiscal resources. They need to compromise with the president."¹⁸⁵

¹⁸¹ EDC, [10 March 2016](#); Ambassador of Argentina, [14 April 2016](#); AEFA, Fact-finding mission to Buenos Aires, 19-23 September 2016.

¹⁸² EDC, [10 March 2016](#).

¹⁸³ Ambassador of Argentina, [14 April 2016](#); Kerner, [4 May 2016](#).

¹⁸⁴ Kerner, [4 May 2016](#).

¹⁸⁵ Berensztein, [3 February 2016](#).



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The Committee's Argentinian interlocutors expressed a strong interest in learning from Canada's experience in federal-provincial relations and developing a fiscal equalization formula that ensures a fair and transparent transfer of resources across jurisdictions.¹⁸⁶ **Building on their common experience with federal systems, the Committee recommends that:**

Recommendation 7:

The Government of Canada offer assistance to Argentina as it examines options to reframe its federal-provincial framework and investigates new fiscal equalization formulas.

In light of Argentina's federal structure, the Committee is convinced that **the Government of Canada's policy towards Argentina needs to take into account that country's federal structure and ensure that engagement is also carried out at the provincial level.**¹⁸⁷ According to the Argentinian ambassador to Canada, "In my country, you have to deal with the provinces. You cannot leave them aside. ... We do have to be attentive to the needs and the aspirations of the provinces. The federal government cannot do it alone."¹⁸⁸ This sentiment was echoed by representatives from the Argentine-Canadian Chamber of Commerce:

In terms of establishing deep relationships and creating consensus about economic relationships, investments and trade, I think it is very important to work not only with the federal government — of course, the federal government is the first step — but also with some provincial governments that could help to create a more structural relationship.¹⁸⁹

Likewise, given that Canadian exports to Argentina at present originate primarily from four provinces, the Committee underscores the importance of the Government of Canada taking the Canadian federal-provincial framework into account when developing a strategy on Argentina.¹⁹⁰

E. Social Development and Soft Infrastructure¹⁹¹

Similar to federal-provincial relations, issues related to social development, soft infrastructure and human capital also permeate across the policy priorities of the Macri administration,

¹⁸⁶ AEFA, Fact-finding mission to Buenos Aires, 19-23 September 2016.

¹⁸⁷ EDC, [10 March 2016](#).

¹⁸⁸ Ambassador of Argentina, [14 April 2016](#).

¹⁸⁹ ACCC, [12 May 2016](#).

¹⁹⁰ EDC, [10 March 2016](#).

¹⁹¹ AEFA, Fact-finding mission to Buenos Aires, 19-23 September 2016.



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notwithstanding Argentina ranking the highest on the United Nations' human development index among countries in Latin and South America as many witnesses testified.¹⁹²

The Committee heard about Macri's focus on a long list of social development issues relating to: poverty, including extreme poverty; housing; access to food and nutrition; the social impact of climate change; education and literacy; social assistance relating to labour and unemployment; services and protection of the most vulnerable such as pensioners, the elderly and the disabled; integration of Argentina's small but concentrated indigenous population; regional development; and youth. In combination, these issues also reflect a broad and deep concern with the structural and root causes of socio-economic displacement, marginalization and disaffection, as well as regional disparities, which ultimately undermine the country's human capital and soft infrastructure and that are essential to its long-term stability and prosperity.

From the government's perspective, social development concerns are central to creating long-lasting changes and results that affect society most directly and most visibly. At the same time, however, the Argentinian government is particularly challenged to generate such results and sustain popular support for its reforms while restructuring the very social support programs connected with Peronism and the Peron era (the building of the Ministry of Social Development itself is graced by images of Eva Peron) and that feed an entrenched culture that highly values government support programs.

The Committee also heard at its meetings in Buenos Aires that the inter-linkages among the social development issues faced by the Macri administration and their solutions have at once complicated the situation and broadened opportunities for answers. On the one hand, their multifaceted nature amplifies their magnitude and the rapid and vicious spiral into poverty, marginalization, disaffection and destitution if even one factor, but especially employment, falls apart. Indeed, the Committee was informed that Argentina's poverty level reaches 30% of the population, with extreme poverty at 10%.

On the other hand, Macri's emphasis on a team approach and consensus comes into play particularly as collaboration among ministries is necessary in order to achieve long-lasting stability and prosperity. As the Committee heard during its fact-finding mission, no one ministry or individual can address these issues alone. In contrast to past practice of working in "isolated silos," there was a clear, determined understanding among the Committee's interlocutors that efforts require coordination among ministries and agencies whose mandates overlap. Indeed, a

¹⁹² AEFA, Fact-finding mission to Buenos Aires, 19-23 September 2016.



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Social Committee comprising the ministers and officials from education, labour and various social security agencies was struck to put into effect this coordination.¹⁹³

Given the importance placed by the administration on Argentina's new generation as part of its efforts to create long-standing results through its policies, witnesses emphasised the youth element as a particular focus of social development considerations, notably the interconnected issues of employment and education reform. The general context is the lack of incentives for youth to complete the secondary level and to raise education standards given the disconnect between the formal labour market and gainful job prospects. Indeed, the Committee heard that Argentina's drop-out rate from secondary school is 50% and is well below OECD standards.

Concern about Argentina's formal economy, or, more accurately, the disproportionate size of the informal economy, was also raised at many of the Committee's meetings during its fact-finding mission.¹⁹⁴ The Committee was told that 45% of the country's jobs are informal and that 20% of the economy is informal, data that does not inspire the levels of investment necessary for the country's long-term stability and prosperity. That the informal economy is also entrenched in Argentina's labour and education culture and encourages a sense of distrust in the formal system and institutions, pose additional challenges.

Accordingly, the Argentinian government's top priorities include job creation, with targets of two million new jobs, and improving education. The manifestation of these priorities is also intended to provide tangible and meaningful results that are important to raising the stakes of participating in a formal economy. The Committee also heard that, in part because the informal economy cannot be eliminated completely, it will be merged into a broader national production plan strategy that is currently under consideration. These efforts are expected to not only attract the necessary levels of investment and capital, but also to link the Argentina brand of industry and economy with quality. To start addressing these issues, the Committee was told that the Macri administration announced plans to increase the minimum wage, and has also increased the social development ministry's budget by 10% in 2016, with a proposed increase of 37% for 2017. In this context, the Committee commends the Argentine-Canadian Chamber of Commerce for having the foresight to establish a working group on human capital and expects that it will be active and connect through appropriate channels to address related concerns in Argentina.

¹⁹³ AEFA, Fact-finding mission to Buenos Aires, 19-23 September 2016.

¹⁹⁴ AEFA, Fact-finding mission to Buenos Aires, 19-23 September 2016.



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Argentina's social development priorities also carry a strong regional dimension, more specifically, regional economic, employment and social inequality. These inequalities are evident whereby three of Argentina's 24 subnational jurisdictions represent 60% of the total population and are responsible for 75% of Argentina's exports. They are also magnified by the different problems and disparities between urban and rural areas. Accordingly, efforts to address social development pressures has involved regular consultations with regions, provinces and the Buenos Aires city administration in order to understand their specific and varying needs concerning social and economic pressures in order to reinforce standardization, equalization and unity. In this respect, legislative representatives for Buenos Aires highlighted their fiscal challenge of supporting free education and free hospital care for residents and non-residents, which accounts for 60% of its municipal budget.

The Committee's appreciation for the regional dimension was manifested in particular with respect to discussions about where it overlaps with women's and children's issues in Argentina, such as regional disparities and specific concerns relating to violence against women, improving maternal and newborn health, and promoting economic opportunities, including small businesses. The Committee heard about a program to support the craft industry, including wearable craft, for women entrepreneurs in the more economically and socially vulnerable regions of Argentina.

Given the generational component in the administration's priorities and policies, the Committee was informed about the Ministry of Social Development's early childhood action plan which was developed in consultation with provincial officials to reflect the needs of the different provinces. The plan entails the establishment of early childhood support and education centres, which are assessed by a national team to ensure standardized implementation across the provinces. The intention of these efforts is to start education at an early stage of development, enhance the potential for social and economic contribution and gain, strengthen stakes in the system, and ultimately break the cycle of generational disparity.

Noting the important contributions that the embassy-based Canadian Fund for Local Initiatives (CFLI) makes to addressing many of these issues, particularly in the more vulnerable regions, the Committee encourages the Government of Canada to continue offering assistance to joint projects that have a regional component relating to maternal and newborn health, women's economic advancement, including entrepreneurs and small-business.



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Plan Belgrano¹⁹⁵

The commitment on the part of the Macri administration to strengthen Argentina's federalism and address regional disparities is particularly evident in the establishment of the Plan Belgrano. In its meeting with the Plan's chief, who has cabinet-level authority, the Committee heard that this is a special ministerial unit, unprecedented in Argentina, whose mandate is to develop the ten most impoverished provinces in the northern part of the country. The challenge is particularly acute, given that in these regions 50% of the population lives in poverty. In this respect, Plan Belgrano is where President Macri's ambitions of economic and social development, and the conditions to promote them, all come together: infrastructure, energy, natural resource industries, agriculture, governance, foreign capital and investment, federal-provincial relations and fiscal equalization, and unity.

Given the role of regional economic development agencies in Canada, the Committee proposes that the Government of Canada explore opportunities for establishing partnerships and synergies between Argentina's Plan Belgrano and its suite of regional agencies that focus on economic development in the north, the Atlantic region, Québec, southern and northern Ontario, and the west.

F. Institutional Capacity-Building¹⁹⁶

Another area where Canadian support could provide stability and predictability for investors and serve as the basis for enhancing the bilateral relationship is with respect to Argentina's priority to strengthen its democratic institutions. In this way, the country's political system and its structures can better withstand the volatility that has historically undermined Argentina's politics, economy and society in the past and convey stability in the system regardless of who is in power.

Witnesses expressed concerns regarding Argentina's governance structure and state capacity emanating from its nascent democracy. Argentinian women only received the right to vote in 1951, in large part due to the influence of Eva Peron. Moreover, it was only with the end of the last military government that the country acceded to a modern democratic system in 1983. It is also currently working pursuant to a constitution only agreed to in 1994. In the ensuing 33 years,

¹⁹⁵ AEFA, Fact-finding mission to Buenos Aires, 19-23 September 2016.

¹⁹⁶ AEFA, Fact-finding mission to Buenos Aires, 19-23 September 2016.



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the country has continued to strive for democratic and institutional consolidation and stability that are necessary to withstand the inevitable crises that any country is liable to face.

The validity of these concerns is evident with respect to the failed military coup attempt in Turkey in 2016 despite assurances in the Committee's [2013 study of Turkey](#) that, following the failed coup in 2007, the military was firmly "in its barracks." It is also evident given events in the region, notably Brazil in 2015-2016 which saw the country experience the most serious political crisis in years and that led to the impeachment of President Dilma Rousseff over allegations of fraud and corruption. These circumstances occurred despite overwhelming assessments that Brazil's record of instability was decidedly in the past as it became an emerging economy.

In this vein, the Committee heard no concerns about the possible return of the Argentinian military's political influence and violation of the principles of civilian authority over the military. It was impressed with results already presenting themselves due to the activities of Fundacion Red de Acción Política [Policy Action Network Foundation] (RAP), an organization dedicated to promoting a culture of dialogue among its member parliamentarians from all jurisdictions. Witnesses noted that this foundation is influential in the new National Congress' commitment to dialogue and consensus-building with the Macri administration.¹⁹⁷

Efforts to alleviate concerns about the fortitude of Argentina's democracy entail strengthening such institutions as the office of the president and the National Congress, as well as the judiciary, particularly in terms of its independence and the rule of law, as well as reforming Argentina's public administration. It also entails improving interagency coordination and cooperation, and revitalizing the public service to make it more efficient. In this way, transparency, accountability, and professionalism can be improved while building trust, confidence and integrity in the system, in order that any Argentinian government can function effectively and deliver on its policies.

Given the broad concern with corruption in the country, the Macri administration has undertaken a high profile anti-corruption campaign that focuses in part on improving the resources and profile of the Anti-Corruption Office and has been working with the World Bank on various related initiatives.

¹⁹⁷ AEFA, Fact-finding mission to Buenos Aires, 19-23 September 2016.



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Other measures include several pieces of legislation being considered by Congress, which by all accounts is supporting them, on Access to Information and another on Transparency. This latter bill importantly relates to the process for assessing bids for public works projects in order to enhance the credibility and integrity of Argentina's ambitious infrastructure work-plan.

Having flagged these issues through its study, **the Committee is encouraged that the Government of Canada included them as areas of further collaboration with Argentina in the November 2016 announcement. Specifically, the two countries agreed to enhance “collaboration on inclusive and accountable governance, including through sharing Canadian best practices on open government to foster transparency, [and] encourage participative society.”** The Committee also welcomes the inclusion of Argentina in Canada's \$13.6 million contribution over four years “to work with communities, civil society organizations, public institutions and businesses to combat corruption” in several countries as [announced](#) on 9 December 2016 by the Minister of International Development. However, in order to maximize resources and given the magnitude of the effort required, **the Committee proposes that such assistance be coordinated among key donor countries and other sources.**¹⁹⁸

Statistics¹⁹⁹

Witnesses told the Committee that a particular challenge the Macri government faced that threatened its ambitious objectives was the absence of reliable data. More specifically, its ability to assess the country's true needs and to develop informed policy was seriously hampered by the lack of credible statistics. According to witnesses, the absence of credible statistics meant that the new administration had incomplete information about levels of poverty, employment, inflation, education, literacy, crime, energy needs and consumption. It also was unable to accurately carry out a gender-based analysis of its priority areas. Its ability to prepare a budget based on up-to-date data was also seriously compromised as was its ability to identify the particular needs of the provinces whose social and economic development levels are wide-ranging.

Accordingly, an urgent priority of the Macri administration was to overhaul the state statistics collection agency, the National Institute of Statistics and Census (INDEC), restore its

¹⁹⁸ Miller, [5 May 2016](#).

¹⁹⁹ AEFA, Fact-finding mission to Buenos Aires, 19-23 September 2016.



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independence and ultimately to re-establish the credibility of the service. In part as a result of these efforts, the IMF lifted its censure of Argentina and renewed its relationship.

In line with the Government of Canada’s November 2016 commitment to collaborate with Argentina on “gather[ing] sound information in priority areas to develop effective policies,” the Committee underscores that such collaboration include exchanges on capacity-building between Argentina’s INDEC and Statistics Canada.

G. Regional and Global Dimensions of Canada-Argentina Cooperation²⁰⁰

The Committee is convinced that Canada can revamp its bilateral relations with Argentina by undertaking regional and global initiatives, bilaterally and multilaterally, that build on the common interests and values of the two countries. Not only would Canada’s own regional and global priorities benefit from greater cooperation with Argentina, but a more pronounced outreach into the region reinforces perceptions that Canada is a credible stakeholder and a valued potential partner for cooperation with Argentina.

Witnesses emphasized that opportunities for greater international cooperation between Canada and Argentina are growing as the latter reintegrates with the world and pursues its interests on that stage.²⁰¹ Many highlighted the overlapping themes in the contributions made by President Macri and Prime Minister Trudeau at the G20 Summit in Huangzhou, China and in their inaugural addresses to the United Nations General Assembly in September as evidence of potential synergies. As the then-Argentine ambassador to Canada remarked:

Argentina, like Canada, is a very important member of different multilateral fora: human rights and questions of nuclear energy. We are going to be in every single multilateral platform where we can really take our experience and be these bridge builders that we are used to being. Like Canada, we have a very long tradition in multilateralism. We are members of Mercosur, UNASUR, CELAC, OAS and the United Nations. In the United Nations, we are members of every single fora in human rights and the nuclear energy and the nuclear field of every single control regime that there is of weapons of mass destruction, chemical weapons, et cetera.²⁰²

²⁰⁰ AEFA, Fact-finding mission to Buenos Aires, 19-23 September 2016.

²⁰¹ AEFA, Fact-finding mission to Buenos Aires, 19-23 September 2016.

²⁰² Ambassador of Argentina, [14 April 2016](#).



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The Committee heard from witnesses that opportunities for bilateral and regional cooperation and dialogue exist between Argentina and Canada across a range of common regional and global concerns, including human rights, democratic consolidation, market access, drug trafficking, organized crime, migration, nuclear energy, arms control, natural disaster and humanitarian relief.²⁰³

The Committee also heard that Canada and Argentina can enhance their bilateral relationship and advance their regional objectives by collaborating in the hemisphere's most inclusive multilateral forum and of which they are both members: the Organization of American States (OAS). Such collaboration becomes particularly invaluable as Argentina itself becomes a regional force and strengthens its ties with the OAS. In this respect, the OAS's comprehensive mandate to strengthen democracy, security and development among its 35 member states coincides with Canada's hemispheric priorities.²⁰⁴ Indeed, Canada contributes to many of the OAS's activities that set norms and standards as well as promote its mandate, notably in the areas of human rights, gender issues, the rights of indigenous peoples, election monitoring, sustainable development and economic growth.²⁰⁵

As the only regional institution with both Canada and the United States as members, the OAS's role in hemispheric regionalism is particularly invaluable. Cynthia Arnson testified:

Canada has been a very strong supporter of the Organization of American States through a sequence of very high-quality ambassadors, and also I think a political commitment to regionalism in the hemisphere, and I think that should also be a focus of Canadian policy or a continued focus of Canadian policy in the hemisphere. ... I not only applaud Canada for the role it has taken over these last years but think that is an area to continue to invest in.²⁰⁶

Witnesses emphasized to the Committee that Argentina's domestic priorities and efforts at regional engagement portend **the possibility of a new era for the OAS more generally in which it can realize its full potential as a constructive and consequential institution for the hemisphere.** As the former Canadian ambassador to the OAS, Allan Culham, remarked, "I'm

²⁰³ Ambassador of Argentina, [14 April 2016](#); Culham, [3 February 2016](#).

²⁰⁴ Culham, [3 February 2016](#). Cuba's membership was suspended in 1962. The OAS member states adopted a resolution in 2009 allowing for Cuba's return following "a process of dialogue" and "in accordance with the practices, purposes, and principles of the OAS." Organization of American States (OAS), AG/Res. 2438 (XXXIX-O/09), 9 June 2009. While the process is ongoing, Cuba participated in the OAS's Summit of the Americas meeting in 2015 for the first time.

²⁰⁵ GAC, [17 February 2016](#).

²⁰⁶ Arnson, [5 May 2016](#).



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looking forward to this changing, and there are indications that this will change.”²⁰⁷ In this respect, witnesses informed the Committee that the exclusiveness of other regional organizations, such as the Union of South American Nations (UNASUR) and the Community of Latin American and Caribbean States (CELAC),²⁰⁸ as well as their unmet expectations offer limited opportunities for Argentina to reinforce its ties with North America and promote its priorities on a comprehensive, inclusive stage.²⁰⁹ Moreover, although the Committee heard concerns that the OAS’s consensus rule for decision-making has undermined its effectiveness, some witnesses testified that such concerns would diminish as the member states become more like-minded and interests merge, if regional trends continue.²¹⁰

The Committee is pleased to note that many elements of a deeper regional and global engagement between Canada and Argentina suggested by witnesses during its study were heeded and included as priorities in the November 2016 agreement between Prime Minister Trudeau and President Macri.²¹¹ Among them are:

- “Collaborating to advance the G20 agenda under Argentina’s G20 presidency in 2018, and Canada’s G7 presidency the same year;”
- “[P]roviding technical assistance to support Argentina’s pledge to accept refugees from Syria and neighbouring countries, including in the areas of private sponsorship and refugee integration into Argentine society;”
- “Enhancing efforts to address climate change through the full and effective implementation of the Paris Agreement, and working together with regional and international partners to strengthen the global response to climate change;”
- “Strengthening bilateral and multilateral cooperation on disarmament, non-proliferation, and the peaceful use of nuclear energy;”
- “working together in regional and multilateral forums to address transnational crime and drug trafficking, and exploring ways to exchange expertise and increase our capabilities in these areas;”

²⁰⁷ Culham, [3 February 2016](#).

²⁰⁸ With 33 member states from Latin America and the Caribbean, CELAC was established in 2010 out of the Rio Group, a forum created in 1986 in part to promote democratization in the region and to encourage dialogue without United States participation. UNASUR began in 2007 as a project among 12 South American countries in part to promote their integration and harmonization of policies across a range of issues.

²⁰⁹ Culham, [3 February 2016](#); Heidrich, [4 February 2016](#); Purcell, [4 February 2016](#).

²¹⁰ Purcell, [4 February 2016](#).

²¹¹ Prime Minister’s Office, “[Fact Sheet: Strengthening ties between Canada and Argentina and creating new opportunities for trade and investment](#),” 18 November 2016.



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- “Recognizing the experience of Canada and Argentina in responding to crises abroad and reaffirming their commitment to support UN peace operations in building a more peaceful and prosperous world;”
- “Sharing information on technical expertise between Canada and Argentina’s White Helmets Commission on humanitarian issues and disaster relief;” and,
- “Increasing cooperation in the Americas on democracy, human rights, gender equality, and security, in particular within the Organization of American States, where Canada and Argentina share similar values.”

As with the other commitments made, the Committee encourages meaningful exchanges between the two countries in order to put the agreement into effect and benefit their relations. However, the Committee is convinced that additional areas of regional and global cooperation should also be considered for their value of supporting Argentina’s reintegration with the global community and their long-lasting consequences for the country’s economic and social development.

These include **promoting Argentina’s application to the [Organization for Economic Cooperation and Development \(OECD\)](#)**, an international organization of 35 member countries that was established in 1961 to “promote policies that improve the economic and social well-being of people around the world.” Notably, in this respect, Chile and Mexico are the only Latin American members of the OECD; Colombia and Costa Rica have begun the accession process, whereas Brazil cooperates with the organization as a “Key Partner” through its “Enhanced Engagement” programmes. Indeed, becoming a member of the OECD would give Argentina access to additional sources of foreign funding. The OECD has already carried out preliminary missions to Argentina in this respect. Canada’s support of Argentina’s application would send a strong signal while, as the Committee was told, the organization takes time to reflect on the accession process more generally and which may possibly delay Argentina’s own accession. **The Committee encourages the Government of Canada to consider the best approach within the OECD to cooperate with applicant countries specifically and non-OECD countries generally from South America.**

The Committee was interested to hear that President Macri was contemplating forming a small group of like-minded countries in order to exchange views from different perspectives on common interests and to discuss best practices in order to reinforce international standards.²¹² It

²¹² AEFA, Fact-finding mission to Buenos Aires, 19-23 September 2016.



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was especially interested to hear that he raised such a consideration with Prime Minister Trudeau at one of their previous discussions, given that Canada would be a possible member together with Australia and South Africa. Suggested topics to be addressed in their discussions may include climate change and environmental protection. Although the idea of such a grouping is at a very preliminary stage, **the Committee sees it as another sign of the possible synergies that can be achieved between the two countries and encourages the Government of Canada to even so engage informally with Argentina and other like-minded countries at every reasonable and mutually beneficial opportunity.**

In terms of possible collaboration on specifically regional issues, witnesses suggested that **Canada and Argentina consider combining efforts with respect to implementing Colombia's peace accord and promoting conditions for inclusiveness and long-term stability in the country.** As Allan Culham stressed, "Even more difficult will be the actual building of that peace in Colombia."²¹³ Indeed, such initiatives would build on Canada's strong reputation and record in the hemisphere of supporting United Nations peace missions such as those in Haiti, Guatemala and El Salvador.²¹⁴ As a sign of its commitment to the process, Argentina is already set to play a high profile role by providing leadership and personnel to the United Nation's monitoring and observation of the ceasefire and demobilization element of the agreement. For its part, in September 2016 Canada announced a contribution of C\$21 million towards the accord's implementation, notably for police reform, landmine clearance, human rights protection for conflict-affected communities, reintegration of former combatants, and transitional justice. This support from Canada is in addition to its support for the United Nations mission in Colombia and other funding related to development assistance initiatives to help conflict-affected populations globally.²¹⁵

The Committee underscores the mutual benefits to Canada and Argentina of taking advantage of overlapping interests to **jointly as well as individually strengthen engagement with the Pacific Alliance.**²¹⁶ Indeed, such an objective has become all the more consequential from Canada's perspective in light of questions about the future of the twelve-country Trans-Pacific Partnership Agreement (TPP) which Canada negotiated together with three of the four Pacific Alliance countries: Mexico, Colombia and Chile and that, despite Canada's trade agreements with each of them, would tie their economies even closer together.

²¹³ Culham, [3 February 2016](#).

²¹⁴ Culham, [3 February 2016](#).

²¹⁵ Global Affairs Canada, "[Canada announces additional support for peace implementation in Colombia](#)," News release, 26 September 2016.

²¹⁶ Culham, [3 February 2016](#).



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To capitalize on the potential dividends where its regional profile and bilateral relationship with Argentina are concerned, **the Committee is convinced that Canada should “step up” and do more to affirm its commitment to the OAS.²¹⁷ In so doing, it would be reinforcing the OAS as Canada’s primary multilateral avenue for pursuing synergies, strengthening dialogue and values, and deepening networks with key countries in the region on matters of common concern.²¹⁸ These countries include not only established partners such as the United States, but also those with whom Canada’s partnerships are evolving, including Mexico, Brazil, Colombia, Chile and Peru, and now Argentina.²¹⁹**

To deepen its commitment, in addition to continuing its active participation at the various meetings of the OAS, including its meetings of heads of state and government (the next Summit of the Americas is scheduled to take place in Lima, Peru in 2018), Canada’s former Ambassador to the OAS suggested that Canada stand candidates for the next elections in 2020 to high-level offices of the organization, such as the Secretary-General or the Assistant Secretary-General. He also encouraged Canada’s Minister of Foreign Affairs to address the OAS General Assembly on a more frequent and regular basis (the last time being in 2014). Such a higher and deeper level of engagement would also better align with Canada’s contribution of 11% of the OAS’s budget.²²⁰

Against this backdrop of regional and global dimensions to Argentina-Canada cooperation and in light of the Committee’s ongoing examination of Canada’s relations with Mexico, **a particular focus on Mexico as a key piece of a revamped Canadian strategy becomes essential to complete this report.** In this respect, many themes that the Committee has flagged for Canada to strengthen its bilateral engagement with Mexico, i.e. good governance, energy, commercial ties, education, social development, parliamentary diplomacy, federal-provincial relations, security, and regional and global cooperation, are also raised in this report on Canada-Argentina relations. Moreover, the affinities among the three in terms of being middle-sized countries in a dynamic hemisphere as well as their strong cultural profiles compare naturally with their shared commitment to democratic values, commercial and economic complementarities, and people-to-people ties. **It follows that, as Canada deepens its engagement with both Argentina and Mexico and moves the focal points of interaction beyond commercial ties, each country will become a reinforcing driver for advancing regional concerns and strengthening values in the hemisphere, particularly regarding human rights, the rule of law and good governance.**

²¹⁷ Culham, [3 February 2016](#).

²¹⁸ Culham, [3 February 2016](#).

²¹⁹ GAC, [17 February 2016](#).

²²⁰ Culham, [3 February 2016](#).



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Coupled with their engagement at the OAS and the G20, Canada and Mexico can play critical roles in Argentina's regional and international integration and, in doing so, also foster a new era of hemispheric dynamics.

The Committee expects that deepening ties between Canada and Argentina through these multilateral avenues will serve to lessen the intensity of irritants in their relations. One ongoing irritant that was raised at several meetings during the Committee's fact-finding mission to Buenos Aires was opposing views about the bilateral dispute between Argentina and the United Kingdom over the status of the Falkland Islands and the international principles that inform its settlement.²²¹ While witnesses testified that the issue is an important basis on which President Macri can sustain consensus among stakeholders for his reform program given the high level of national unity on the topic, the Committee is encouraged by his administration's less confrontational approach on such an important and sensitive foreign policy issue.²²²

Cooperation on Human Rights

As Argentina becomes a regional force, the Committee believes that Canada's relations with the country would also benefit from a focus on the shared value of human rights as a key area of collaboration, either bilaterally or in international fora such as through the OAS.²²³ Given its painful history under the 1976-83 military regime, Argentina's credentials as a regional leader reinforce the credibility of any multilateral initiatives that it may drive to ensure an international order that protects human rights. As the then-Argentine ambassador to Canada remarked:

[R]egarding the stance that has been taken very clearly by President Macri regarding human rights and democracy in the region and beyond, Argentina is a country that, because of its past and because of the way we have learned to deal with our past, is very much entitled to speak about democracy and about human rights. Our voice is not any voice; it's an important voice.²²⁴

Indeed, such efforts on the part of the government coincide with the sentiment resonating among Argentinians broadly about human rights issues as they confront their history and build a capacity to address them. During the Committee's fact-finding mission, one key government

²²¹ Heidrich, [4 February 2016](#); Culham, [3 February 2016](#); GAC, [17 February 2016](#).

²²² GAC, [17 February 2016](#); Kerner, [4 May 2016](#); Purcell, [4 February 2016](#); Culham, [3 February 2016](#).

²²³ Heidrich, [4 February 2016](#).

²²⁴ Ambassador of Argentina, [14 April 2016](#).



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interlocutor stressed Argentina's new era in this respect and in turning its back on the politics of "indifference."²²⁵

Moreover, collaboration between Canada and Argentina in this area offers tremendous mutual benefit and learning opportunities that reinforce shared democratic values relating to human rights, the rule of law and good governance. As much as Argentina is taking in and applying lessons to strengthen its democratic institutions, given its experience of the "dirty war," the disappearances, and reconciliation, it also has much to teach countries like Canada. Indeed, for Canada, such exchanges would also serve to communicate its interest in a full suite of areas for long-term engagement with Argentina that extend beyond trade and commercial ties. Against this backdrop, the Committee welcomes the November 2016 agreement between Prime Minister Trudeau and President Macri to re-establish the annual Canada-Argentina bilateral human rights consultations.²²⁶

In terms of regional human rights concerns, some witnesses highlighted the potential for collaboration between Canada and Argentina with respect to mediating the political tensions and growing economic crisis in Venezuela and the ongoing plight of political opponents.²²⁷ Such efforts could be undertaken jointly through the auspices of the OAS and thereby reinforce the institution's own endeavours which have resulted in its 16 November 2016 [declaration](#) of support for a national dialogue in Venezuela based on non-violence and intimidation. According to Cynthia Arnson:

There is a willingness to speak out against human rights violations in places such as Venezuela. I predict that Venezuela will be the crisis of the next several years, and having a strong regional institution like the OAS willing to and capable of playing a role in resolving that and helping to prevent violence and overcome polarizations will be an important foreign policy task in the Americas.²²⁸

At the same time, the Committee underscores the strong signal that Canada would send to Argentina and the region as a whole about its commitment to human rights and to the OAS by signing the American Convention on Human Rights, which was signed in 1969 and entered into force in 1978. Neither does Canada recognize the jurisdiction of the Inter-American Court of Human Rights. Accordingly, any entreaties made by Canada in the hemisphere regarding human

²²⁵ AEFA, Fact-finding mission to Buenos Aires, 19-23 September 2016.

²²⁶ Prime Minister's Office, "[Fact Sheet: Strengthening ties between Canada and Argentina and creating new opportunities for trade and investment](#)," 18 November 2016.

²²⁷ Daudelin, [18 May 2016](#).

²²⁸ Arnson, [5 May 2016](#).



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rights are potentially undermined and discredited. The Committee maintains that those points of disagreement that prevented Canada from signing the Convention in the past can be addressed by way of reservations. **At a minimum, the Committee encourages the Government of Canada to re-examine for their continued relevance the reasons for not signing onto the Convention nearly 26 years after Canada joined the OAS.**²²⁹

²²⁹ Culham, [3 February 2016](#).



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A NOTE OF CAUTION

In drawing attention to the opportunities and policies that it believes would encourage a more constructive engagement between Argentina and Canada, and notwithstanding the enthusiasm and progress made to date, the Committee cautions for a degree of measured optimism. It highlights several worrisome factors that are holding back any overwhelming rush towards Argentina among stakeholders, including investors. In this respect, questions remain about Argentina's history of political swings and their disruptive impact on economic policies. One witness reminded the Committee that “[p]ast centrist reformers have not tended to fare well in Argentina.”²³⁰

Accordingly, there is widespread understanding among the Committee's witnesses that President Macri is navigating a narrow political path in a risky environment fraught with overwhelming pressures and competing constituencies and expectations. Witnesses noted the dilemma of finding the right balance between quick action in order to keep the momentum while also ensuring sustained support by proceeding more gradually. In addition, some of Argentina's reform policies will have a significant lag and are unlikely to show results, and therefore maintain the necessary political consensus required, for some time.²³¹

In light of Argentina's record of social unrest, and the tendency among people to “take to the streets at a drop of a hat,” it is not surprising that anti-Macri protests have been taking place in Argentina.²³² Many concerns about the direction and pace of Macri's policies were discussed at the Committee's very productive meeting with unions in order to better understand their role in the new Argentina and their influence on the country's economy and political stability. One witness testified that “given some of the social benefits that many Argentinians benefit from, those negotiations with the unions will be difficult.”²³³ In another development that generated widespread criticism, the Macri government was confronted with the risks of moving too quickly on policy changes when its plan to reduce energy subsidies was suspended by the Supreme Court until consultations were held on the plan.

Other pressures that generate a risky political environment for the Macri administration relate to international developments and uncertainties about the global economic recovery, including the

²³⁰ Miller, [5 May 2016](#).

²³¹ Daudelin, [18 May 2016](#).

²³² Ambassador of Argentina, [14 April 2016](#); Miller, [5 May 2016](#); Kerner, [4 May 2016](#).

²³³ GAC, [17 February 2016](#).



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commodity market. They also relate to questions about Brazil's own economic recovery as well as other dynamics in the region, notably concerning Venezuela's crisis.²³⁴

Witnesses observed that Argentina's path of implementing "very difficult and politically costly adjustment policies" as well as solving "all these problems at the same"²³⁵ is "not easy" and that "the risks are not trivial."²³⁶ Highlighting the challenges facing President Macri, Eric Miller pointed out that, "we have to be realistic about the exceptionally hard hill he has to climb and the ugliness that will ensue if he fails."²³⁷

In this context, the degree to which there is still consensus and support for the new government's policies as well as the October 2017 mid-term congressional elections figure prominently.²³⁸ According to Daniel Kerner, "[The] mid-term elections are very important because if the government doesn't do well then I think there are going to be very serious doubts as to the government's ability to really stabilize Argentina's economic situation."²³⁹ He emphasized, "A lot will depend, ..., on where Macri's popularity is. If the economy doesn't recover as rapidly as the government hopes, then I think you will see more and more opposition. If Macri remains popular then they will be a bit more cautious."²⁴⁰

Indeed, in the face of a weak and slow economic recovery and the looming mid-term elections, President Macri replaced his finance minister in late December 2016 and created two separate ministries, the Ministry of Finance and the Ministry of Treasury, ostensibly to "strike a better balance in the cabinet."²⁴¹ Moreover, President Macri's popularity has varied widely according to public opinion polls. Negotiations with opposition parties in Congress to continue the administration's agenda are also becoming increasingly difficult, reinforcing concerns about the longevity of the consensus and the vulnerability of Argentina's governance.²⁴²

²³⁴ Heidrich, [4 February 2016](#).

²³⁵ Berensztein, [3 February 2016](#).

²³⁶ Kerner, [4 May 2016](#); Heidrich, [4 February 2016](#).

²³⁷ Miller, [5 May 2016](#).

²³⁸ Kerner, [4 May 2016](#).

²³⁹ Kerner, [4 May 2016](#).

²⁴⁰ Kerner, [4 May 2016](#).

²⁴¹ "Shake-up in finance ministry as Prat-Gay leaves," *The Economist*, 3 January 2017. See also: "Macri rues his magical thinking on Argentina's economic growth," *The Financial Times*, 11 December 2016; "Argentina finance minister axed on economic uncertainty," *The Financial Times*, 26 December 2016; "[Macri reshuffles economic team after the promised second half recovery never arrived](#)," *Mercopress*, 26 December 2016; "Macri turns to fiscal hawk in Argentina reshuffle," *The Financial Times*, 27 December 2016; "[Crunch time approaches for Team Macri](#)," *Buenos Aires Herald*, 6 January 2017.

²⁴² The Economist Intelligence Unit, *Country Report: Argentina*, January 2017.



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Unmitigated, these pressures can be consequential for an updated Canada-Argentina relationship.²⁴³ Some witnesses were blunt in discouraging any expansion of Canadian commercial activities in Argentina, emphasising the country’s “complexities.” Eric Miller noted, “Unless one is prepared to take substantial risks, learn the system and take realistic steps to mitigate against the impact of a future return of Kirchner-like policies, they probably should look elsewhere.”²⁴⁴ He stressed, “Canada should, at a minimum, not be pushing Argentina as an investment destination.”²⁴⁵ EDC advised, “[W]ith the changes that are under way now, ... , we’re watching it very closely.”²⁴⁶

²⁴³ Berensztein, [3 February 2016](#); GAC, [17 February 2016](#); Arnson, [5 May 2016](#); Kerner, [4 May 2016](#); Heidrich, [4 February 2016](#); Culham, [3 February 2016](#); Miller, [5 May 2016](#); ACCC, [12 May 2016](#).

²⁴⁴ Miller, [5 May 2016](#).

²⁴⁵ Miller, [5 May 2016](#).

²⁴⁶ EDC, [10 March 2016](#).



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FINAL REMARKS

With these words of caution, the Committee underscores to the Government of Canada, the Canadian business community and other stakeholders, the prospects available and the potential mutual benefits for Canada and Argentina in a redefinition of their relationship as valued, long-standing partners. Canada's role as a partner becomes more secure as Argentina follows the road towards good governance and economic progress, themselves key elements of a prosperous, stable future. Indeed, working in favour of a redefined relationship are such factors as Canada's positive reputation in the Latin American region more generally that contrasts with "the huge historical baggage" of the United States, the absence of any compromising irritants in their engagement, and the strong message from Argentina's leaders that they want to work with Canada and are seeking Canada's support.²⁴⁷

For their part, Canadian stakeholders will monitor levels of support, progress on Argentina's economic fundamentals, whether set-backs are short-lived, and will look for sustainable, enduring changing conditions – especially regarding good governance – to take hold. The stakes are as high as ever for Argentina's – and the region's – democratic consolidation and future economic prosperity. Canada, through a program of updated policies and guided by cautious optimism, can play a valuable role in encouraging favourable long-standing results and that would pay immeasurable dividends in the future.

²⁴⁷ Culham, [3 February 2016](#); Ambassador of Argentina, [14 April 2016](#).



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APPENDIX A – LIST OF WITNESSES

February 3, 2016

As an individual:

Allan Culham, Former Ambassador of Canada to Guatemala/El Salvador, Venezuela and the Organization of American States.

Berensztein Consulting Firm:

Sergio Berensztein, President and Director General (by video conference).

February 4, 2016

As individuals:

Pablo Heidrich, Adjunct Research Professor, Carleton University;

Susan Kaufman Purcell, Former Director, Center for Hemispheric Policy, University of Miami (by video conference).

February 17, 2016

Global Affairs Canada:

André Frenette, Director General, Latin America and Caribbean Bureau;

Sylvia Cesaratto, Director, South America;

Steve Guertin, Acting Deputy Director, Brazil and Argentina.

March 10, 2016

Export Development Canada:

Andrea Tunney, Regional Vice-President for the Americas.



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April 14, 2016

Embassy of the Argentine Republic:

Her Excellency Norma Nascimbene de Dumont, Ambassador;

Sebastian Molteni, Counsellor, Political and Education Sector;

Cecilia Ines Silberberg, Secretary, Political and Cultural Section.

May 4, 2016

As an individual:

Daniel Kerner, Practice Head, Latin America, Eurasia Group (by video conference).

May 5, 2016

As individuals:

Eric Miller, Fellow, Canadian Global Affairs Institute and Global Fellow, Canada Institute, Woodrow Wilson International Center for Scholars (by video conference);

Cynthia J. Arnson, Director, Latin American Program, Woodrow Wilson International Center for Scholars (by video conference).

May 11, 2016

As individuals:

Luis Florido, President, Standing Committee on Foreign Affairs, National Assembly of Venezuela;

Williams Dávila, Member, Standing Committee on Foreign Affairs, National Assembly of Venezuela;

Luis Emilio Rondón Hernández, Member, Standing Committee on Foreign Affairs, National Assembly of Venezuela;



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Freddy Guevara, President, Standing Committee on Oversight of Government Operations and Public Accounts, National Assembly of Venezuela.

Global Affairs Canada:

André Frenette, Director General, Latin America and Caribbean Bureau;

Sylvia Cesaratto, Director, South America;

Sean Sunderland, Deputy Director, South America.

May 12, 2016

Argentine-Canadian Chamber of Commerce:

Miguel Morley, President (General Manager, Agrium South Core) (by video conference);

Marcos Sabelli, Member (Director, YPF and Vice President, Profértil) (by video conference);

Alfredo Vitaller, Member (President, DEPROMINSA — NGEEx Resources) (by video conference);

Marcelo Elizondo, Member (Founder and Director General, DNI) (by video conference).

May 18, 2016

As an individual:

Jean Daudelin, Associate Professor and Associate Director, The Norman Paterson School of International Affairs, Carleton University.

October 26, 2016

Mining Association of Canada:

Pierre Gratton, President and CEO.



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**APPENDIX B – LIST OF INDIVIDUALS AND ORGANIZATIONS MET
DURING FACT-FINDING MISSION**

September 19-22, 2016 - Buenos Aires, Argentina
Juan José Aranguren , Minister of Energy and Mines, Ministry of Energy and Mining
Miguel Braun , Secretary for Trade, Ministry for Production
José Manuel Cano , Cabinet Member, Plan Belgrano
Carlos Foradori , Deputy Minister, Ministry of Foreign Affairs and Worship
Robert Fry , Ambassador, Embassy of Canada to Argentina and Paraguay
The Honourable Gabriela Michetti , Vice-President of the Argentine Republic, President of the Senate
Andrés Ondarra , Executive Vice-President, Argentina Investment and Trade Promotion Agency
Marcos Peña , Chief of the Cabinet of Ministers



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Carmen **Polledo**, First Vice-President, Legislature of the Autonomous City of Buenos Aires

Alfonso **Prat Gay**, Minister of Economy, Ministry of Economy

Federico **Pinedo**, Provisional President, Senate of the Republic of Argentina

Senator Juan Carlos **Romero**, Member of the Senate Committee on Foreign Affairs and Worship, Senate of the Republic of Argentina

Carolina **Stanley**, Minister of Social Development, Ministry of Social Development of the Nation

Pablo **Tarantini**, Chief Operating Officer, Argentina Investment and Trade Promotion Agency



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APPENDIX C – BRIEFS

Received Date	Submitter Organization	Submitter
February 3, 2106	As an individual	Allan Culham
May 12, 2016	Argentine-Canadian Chamber of Commerce	Miguel Morley
October 26, 2016	Mining Association of Canada	Pierre Gratton