Investment

In 1998, Canadian FDI in Brazil was approximately $2.8 billion. Due to the significant levels and long history of Canadian investment in Brazil, it is regarded as one of Canada's highest-priority countries for concluding a FIPA. Negotiations were initiated in June 1998 and are ongoing.

CHILE

Overview

The Canada-Chile Free Trade Agreement (CCFTA) and its two parallel agreements on environmental and labour cooperation are now nearly three years old. On July 5, 1997, under the CCFTA, tariffs were eliminated on the majority of products that make up Canada-Chile bilateral trade. For products on which tariffs are being gradually eliminated, the fourth round of cuts was made on January 1, 2000. As a result of a November 4, 1999 agreement, Canada and Chile have accelerated the elimination of tariffs on a selection of products. Tariffs on most other industrial and resource-based goods will be phased out by 2003.

The implementation of the CCFTA has precipitated a new era of bilateral cooperation with Chile. The total value of two-way trade in goods reached $768 million in 1999. Canada's exports of goods totalled $347 million and imports reached $421 million in 1999. Canada has become the second-largest foreign investor in Chile, with current and planned investments approaching $11 billion. In the past two years, over 70 percent of Canadian investment has been in the mining sector, resulting in spin-offs for Canadian companies in other manufacturing and services sectors. Significant Canadian investments were also directed to the energy and IT sectors. While it is yet too early to assess the impact of the CCFTA on the bilateral trade and on investment, clearly the short term trends have been very encouraging.

The entry into force on January 1, 2000 of the Convention on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion (DTA), the first of Chile's new generation of tax treaties, meets one of the key commitments contained in the CCFTA. This convention will facilitate the growth in trade and investment between Canada and Chile by establishing a more stable taxation framework for individuals and companies doing business in each other's country.

Eight committees and working groups are in place to carry out any outstanding implementation elements of the CCFTA and to resolve problems before they escalate into formal disputes. For example, through the Committee on Trade in Goods and Rules of Origin, Canada and Chile agreed to accelerate the elimination of tariffs on turkey poults and hatching eggs, feed peas, fresh or chilled tomatoes, peaches, plums, sloes, certain colour pigments, certain articles of plastic and a number of textile products. Progress has also been made in fulfilling CCFTA obligations in such areas as agreeing to model rules of procedure for settlement of disputes, the publication of documentation on temporary-entry procedures and establishing mutually compatible procedures for recognition of test reports in the telecommunications sector. Chile has also demonstrated its willingness to facilitate trade by agreeing to lower its visa-processing fees from US$650 to US$100.

In 1998, the Chilean government announced that it will reduce its uniform MFN tariff by 1 percentage point per year until the tariff reaches 6 percent on January 2003. Under this schedule, the non-preferential MFN rate for all goods entering Chile is 9 percent in 2000. In two cases, bread mixes and cereal preparations, these MFN reductions will trigger guaranteed minimum margins of preference for Canadian goods in the years 2001, 2002 and 2003. In these two cases, Canada will seek to ensure that Chile honours its CCFTA obligations by adjusting downwards the special rate for Canada.

In September 1998, the Chilean Central Bank announced what it described as a temporary elimination of the encaje, a mechanism requiring foreign investors to keep up to 40 percent of their investment on deposit at the Central Bank. To date, this measure has not been re-instated. For the time being, Canadian companies will find their investment in Chile to be less costly.