

and work on optional, more ambitious trade liberalization measures through additional negotiations among interested countries (second tier). Despite several formal and informal meetings, negotiators have not been able to agree on the design and procedures for the new negotiating framework. As a result, formal negotiations are suspended, and the January 2005 deadline for the conclusion of the negotiations has not been met. Although this means that the countries of the hemisphere will not realize the benefits of a potential FTAA as quickly as initially envisaged, the vision behind this initiative remains valid. Once consensus is reached on how to implement the new negotiating framework, the negotiations should be able to proceed at a faster pace.

In November 2004, Prime Minister Martin and President Luiz Inacio Lula da Silva of Brazil issued a joint declaration stating their intention to negotiate enhanced market access in the areas of goods, services and investment in the context of the FTAA. The hope is that this initiative will help move the FTAA negotiations forward, toward the conclusion of a comprehensive and high-quality agreement that promotes regional economic integration.

Market Access Results in 2004

- Due to the pause in the formal negotiations, there are no market access developments to report.

Canada's Market Access Priorities for 2005

- Recommence formal negotiations to develop and implement a negotiation framework, as instructed by ministers, which will advance work on the integrated draft text of the FTAA Agreement and the market access negotiations for goods, services, investment and government procurement.
- Pursue the conclusion of a high-quality, comprehensive Agreement.
- Seek agreement with other countries on a process to establish parallel agreements on labour and the environment in the context of the FTAA.
- Continue to pursue measures, including institutional measures, that increase the transparency and participation of civil society in the FTAA.

MERCOSUR

Overview

Argentina, Brazil, Paraguay and Uruguay established the Southern Cone Common Market (Mercosur) in 1991 through the Treaty of Asuncion. Mercosur provides for the free circulation of goods, services, capital and labour; a common external tariff; and harmonized macroeconomic and sectoral policies by 2006. With 215 million consumers (compared with 400 million in NAFTA), this customs union was Canada's second largest export market in Latin America in 2003, after Mexico. Partially harmonized common external tariffs were implemented in 1995. Approximately 90% of all internal trade is duty-free, with the remaining exceptions to the common external tariff scheduled to be eliminated by 2006.

Since its inception, four other countries have joined Mercosur as associate members and have negotiated free trade agreements with Mercosur: Chile (1996), Bolivia (1997), Peru (2003) and Venezuela (2004). Mexico is slated to become an associate member in the near future. Mercosur also signed an agreement to create a free trade area with the Andean Community in 2003 and has been engaged in negotiations with the European Union. In addition, Mercosur has sought closer ties with other developing countries such as China, Egypt, India and South Africa.

In November 2004, Prime Minister Martin and President da Silva of Brazil issued a joint declaration stating their intention to negotiate enhanced market access in the areas of goods, services and investment in the context of the FTAA. The hope is that this initiative will help to move the FTAA negotiations forward, toward the conclusion of a comprehensive and high-quality agreement that promotes regional economic integration.

Canadian merchandise exports to Mercosur countries totalled \$1.1 billion in 2004, a 14% increase from the previous year. Canada's main exports to Mercosur are fertilizers, paper products, machinery, petroleum products, electrical machinery and equipment, minerals, optical and medical equipment, motor vehicles, chemicals, rubber, plastics, vegetables, pharmaceuticals and wheat. Canadian imports from Mercosur members totalled \$2.8 billion in 2004, an increase of 10% from the previous year.