

# Latin America and the Caribbean

## Introduction

The Latin America and Caribbean region represents an aggregate GDP of about \$1.3 trillion. In recent years, the economy of the region has experienced the world's second-highest growth rate, after Asia-Pacific. In terms of political stability, all countries (with the exception of Cuba) have democratic governments — a sharp contrast to the situation that prevailed in 1980.

Economic and market liberalization has been the basis of economic policy in the region. This process, led by Mexico and Chile (and now including almost all countries in the region) has led to substantial lowering and removal of both tariff and non-tariff barriers, massive privatization programs, and a more friendly foreign investment and intellectual property environment. Most countries within the region are committed to the principle of hemispheric trade integration, preferably through a broader NAFTA, although regional groupings (Mercosur, G-3, Andean Pact, CARICOM, etc.) are also emerging. These commitments have translated into concrete actions, particularly in the case of the Mercosur. Canadian exports to the region in 1993 totalled \$3.5 billion, an increase of 5 percent over 1992. About 58 percent of Canadian exports were made up of fabricated goods or end products.

## Business Environment

The biggest trade policy challenge is to maintain the momentum of NAFTA accession in view of the fact that the U.S. Congress has not renewed "fast track" authority for trade negotiations. If a broader NAFTA is not achieved, there could be a proliferation of bilateral and subregional agreements, each with a separate set of trade rules — a situation that would make it increasingly difficult to conduct business.

Although the Uruguay Round has resolved many market access issues in the region, several irritants remain. The issue of export subsidies for agricultural products, particularly grains, has yet to be resolved and could have a major negative impact on Canadian exports. Canada is also trying to resolve, through bilateral negotiations, access issues for products such as seed potatoes (Mexico, Venezuela, Dominican Republic) and pork (Argentina). Customs delays in Mexico and other countries are also of growing concern.

Availability of medium- to long-term export financing remains a problem with several countries in the region (e.g. Central American countries, Cuba, Venezuela, Brazil, Peru) and innovative mechanisms are often needed to assist in financing Canadian exports of capital goods.

## Market Opportunities

The Government will focus on opportunities arising from market liberalization and economic expansion in key sectors of Canadian technological expertise. Given the nature of the changing economies in the region, a shift from straight exports to exports that lead to technology transfer, joint ventures and direct investment are becoming the norm. An underlying objective is to continue the shift from resource-based exports toward higher value-added manufactured products. Priority sectors for the region include:

- **Mexico:** mining, energy, oil and gas, energy, electricity, manufacturing technology, agri-food industries.
- **South America:** energy, oil and gas, environmental industries, agri-food industries, telecommunications, informatics, mining, forestry, manufacturing technology, transportation.
- **Central America:** telecommunications, health services products, informatics, consulting services, agri-food industries.
- **Caribbean:** tourism industry products and services, environmental industries, oil and gas (Cuba), mining (Cuba), agri-food industries.